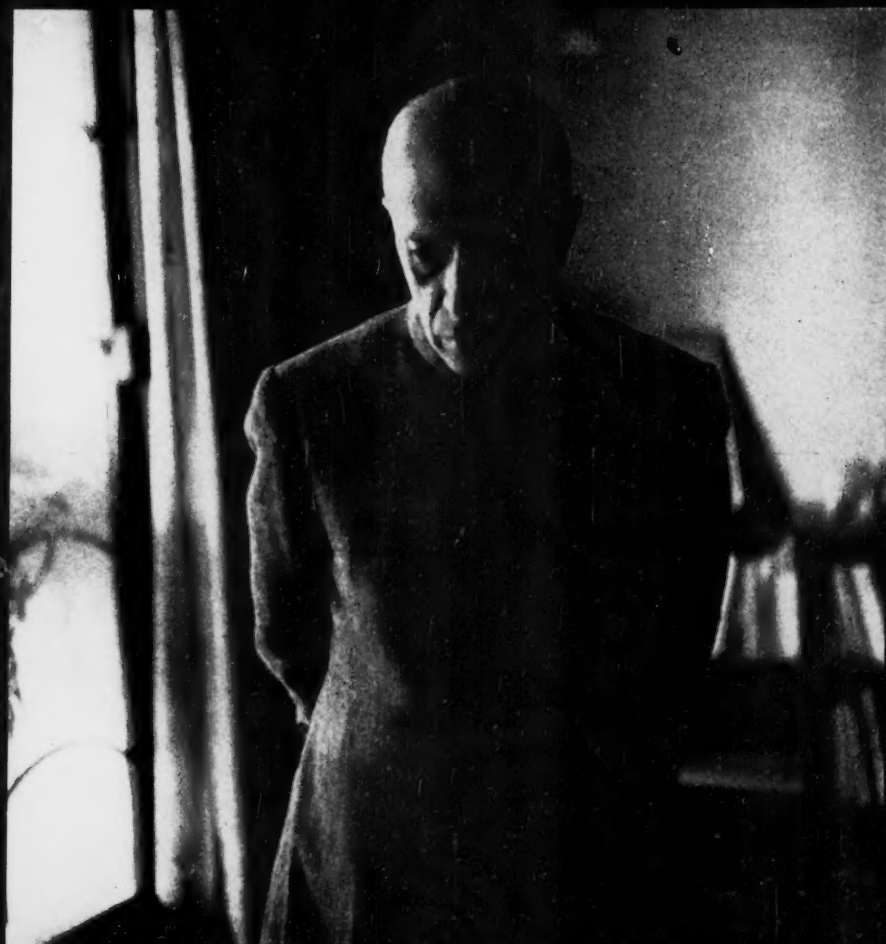


# BUSINESS WEEK

OCT. 22, 1949

A MCGRAW-HILL PUBLICATION



📍 Jawaharlal Nehru: From India, a leader for Asia, a friend for the West (pages 6, 109)

BUSINESS  
WEEK  
INDEX

TWENTY FIVE CENTS



## Animated tombstone

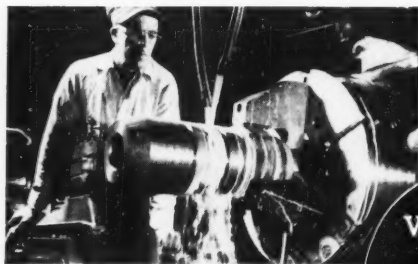
**E**NGLISHMEN will tell you that every old machine in your plant is a tombstone to lost profits. They'll tell you that if they had only invested more of their companies' income in new machinery every year, they and their country wouldn't be in the high-cost low-income position they are in today.

Machinery kept constantly modern keeps costs low. Low costs make possible lower prices. Lower prices keep sales, wages, profits high. And that's

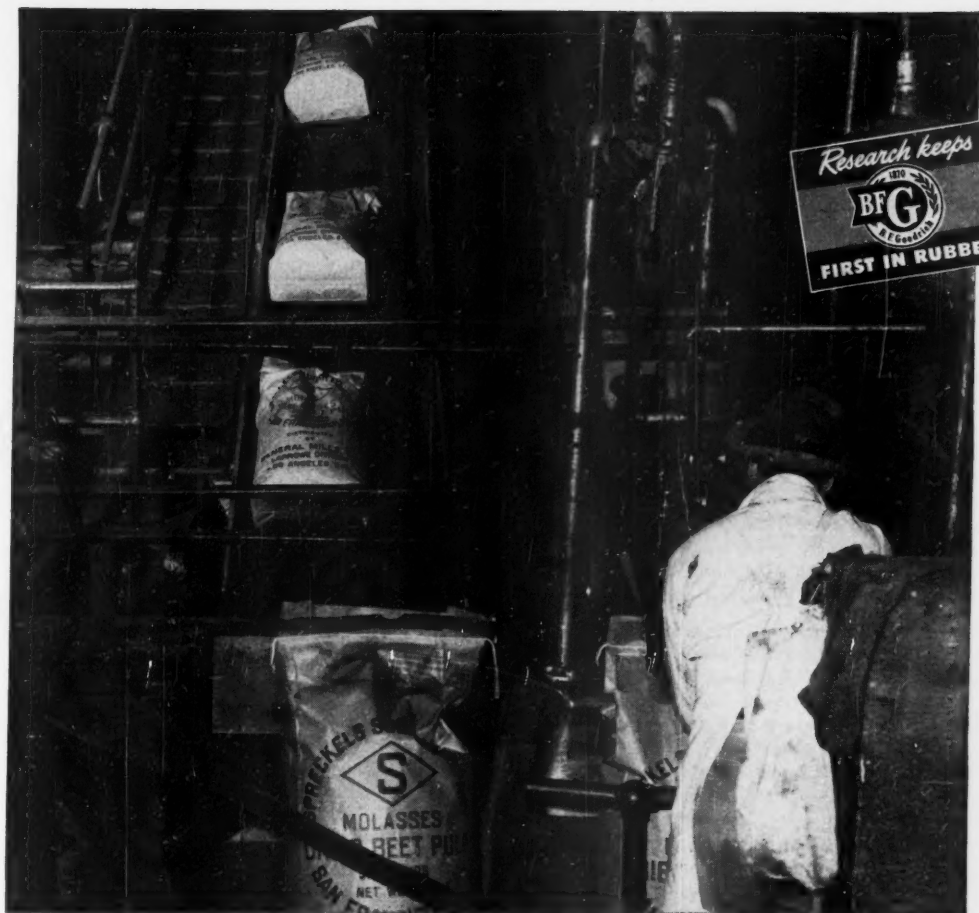
the formula—the only formula—for prosperity for individuals, companies, countries.

Old machines are tombstones that may move but only sink down. They mark the death of profits and, next, of a country.

A modern machine pays profits, assures better jobs, helps keep a company and a country competitive. It ought to have a medal; it does—in folding green.



YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES, AUTOMATICS AND TAPPING MACHINES



## Rubber fingers snap 50-lb. bags up a hill

*A typical example of B. F. Goodrich improvement in rubber*

THOSE paper bags are so smooth and slippery that one man remarked, "They used to slide back two feet for every foot they went up."

The climb to upper floors for storage was so steep that a workman had to stand there with a watering can and wet the belt so the bags would stick to it.

B. F. Goodrich men saw the belt and had the answer. They had already developed the "Griptop" belt for just such hard jobs—a conveyor belt with a surface of tiny rubber knobs or fin-

gers, soft so they bend just enough to grip or seize anything carried by the belt, and so hold it firmly even on such sharp inclines.

It worked perfectly. These B. F. Goodrich belts have been used at railroad stations and airports for handling baggage, in factories for all kinds of packages, even for lumps of ice or fine pieces of coal that must go up a chute instead of sliding down. They probably could be used in dozens of other places that no one has thought of yet.

They're a typical example of the

B. F. Goodrich policy of constant improvement. Your B. F. Goodrich distributor can tell you about others. If you buy or use rubber belting, hose or other industrial rubber products, don't be satisfied with any product you use without finding out what B. F. Goodrich may have done recently to improve it. *The B. F. Goodrich Company, Industrial and General Products Division, Akron, Ohio.*

**B.F. Goodrich**  
RUBBER FOR INDUSTRY

# Ah! Sixteen... Sweet Sixteen!

TO YOUTH, sixteen is a magic word: the threshold of romance and "growing up." When you are a bit older, sixteen can have an entirely different meaning. To the blaster, for example, sixteen may mean ROCKMASTER "16"—he'll tell you it's the sweetest thing in its field since Atlas pioneered milli-second delay blasting.

ROCKMASTER "16" has what it takes to make the blasting boys go for it! It is an entirely new method of blasting: a blasting *system*. Drill holes filled with dynamite are made to fire at controlled intervals instead of all at once . . . intervals timed to thousandths of a second: *sixteen* of them! Now the blaster has control over breakage and "throw" never before possible, and can fire bigger blasts with less noise and vibration—which means fewer complaints from neighbors of surface jobs . . . greater safety underground. On top of all this, often blasters find that ROCKMASTER "16" means they drill fewer holes and use less dynamite. Many times, ROCKMASTER "16" means the difference between profit and loss in quarries, mines, pits and construction jobs . . . on the surface and underground.

THE research that led to this development, and the service that Atlas offers blasters to help them make the most of ROCKMASTER "16" advantages, are typical of the service in its most complete sense that Atlas gives to all of the dozens of industries for which we make products—not only in explosives, but also in emulsifiers, hexahydric alcohols, industrial finishes, laundry covers, detergents, activated carbons. If your field is one that uses any of the materials Atlas makes, we will welcome the opportunity to prove that when we sell to you, we actually do much more than merely make a sale.

ROCKMASTER: Reg. U. S. Pat. Off.



# ATLAS

**POWDER COMPANY**  
WILMINGTON 99, DELAWARE  
Offices in Principal Cities

Industrial Explosives • Industrial Finishes • Laundry Covers • Acids  
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When looking for a plant location

# Study the Signs!

Better still, as so many business leaders do, let us study them for you. For it takes a thoroughly trained staff to analyze the many factors of plant location and coordinate them to your best advantage.

In the B&O area is "the lion's share" of raw materials, electric power, labor supply, purchasing power, and economic advantages for industry surpassing any other area. Here are: bituminous coal, petroleum, natural gas, rock salt and salt brines, limestone, dolomite, clay, glass sand—nature's "horn of plenty" within reach in unlimited quantities; countless streams and lakes plus ground water and subterranean reservoirs of cool, fresh water for processing and steam power.

The best way of adapting these to your needs is . . . just tell us your requirements! Our Industrial Development staff will submit—in confidence and without obligation—a factual study, custom-made for you.



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Constantly doing things—better!

## How continuously it works is what counts

**I**LLUSTRATED HERE is a handling operation which is typical of the work some trucks perform throughout every shift ... 24 hours a day! Under such circumstances every delay for servicing or repairs means lost time, lost income.

★  
The logical truck for such work is an electric truck. Its motor drive stays on the job because it has few wearing parts ... only one basic moving part.

★  
The logical battery to power the truck is an EDISON Nickel-Iron-Alkaline Storage Battery. With steel cell construction inside and out, an electrolyte that is a preservative of steel, and a foolproof electrochemical principle of action, EDISON batteries are the longest-lived, most durable and most trouble-free of all.

EDISON batteries give you many advantages: they're mechanically durable; electrically foolproof; quickly and easily charged; simple to maintain; not injured by standing idle. Get a current EDISON price quotation—you will probably find initial cost MUCH LOWER than you think. Couple this factor with well-known EDISON long life and you will have the key to year-after-year economy.



**EDISON**  
Nickel • Iron • Alkaline  
STORAGE BATTERIES



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BUSINESS WEEK • Oct. 22, 1949

**THE MAN  
WHO  
VANISHED  
INTO  
THIN AIR!**

*by  
Mr. Friendly*

"Before I was sold," Brown said with a groan,  
"Salesman Jones wouldn't leave me alone!  
He laughed at my jokes... he lit my cigars  
He promised the moon, plus 1000 odd stars..."

"But since I've signed up, he's vanished in air  
The more I need help, the more he ain't there!  
It seems rather odd... it seems pretty funny  
Now, do you suppose he just wanted my money?"

"Alas!" Mr. Friendly alased. "That wouldn't

happen with American Mutual. Once  
you sign up, our I.E. Loss Control service  
helps you reduce costly accidents,  
speed production. And, year after year we  
help cut premium costs." (50% below the average  
rate for some businesses!)

Mr. Brown signed up... and found he got more  
Service and savings than ever before!  
He said, "I'm amazed, but they really came through  
With a full-sized moon and 1000 stars, too!"

**AMERICAN MUTUAL**

... the first American liability insurance company

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The biggest extra in insurance... that's I.E. Loss Control,\* a special service, at no extra charge with every industrial policy. Ask your American Mutual man to tell you how this service works. Write for free copy of "The All-American Plan for Business" or "The All-American Plan for the Home." American Mutual Liability Insurance Co., Dept. B-66, 142 Berkeley St., Boston 16 Mass. Branch offices in principal cities. Consult classified telephone directory.

\* Accident prevention based on principles of industrial engineering.

# Where in the world...



1 ... Is this lyre of ancient origin still played?



2 ... can you still hear the strange tones of these oversized panpipes?

3 ... Is the bagpipe loved as a symbol of proud national legends?



4 ... does a primitive drum beat time for painted natives' corroboree?



Their music is heard in lands nearby . . . no farther away than your telephone. In fact, you can easily reach most of the world's countries . . . and 96% of the world's telephones—without leaving your home or office!

If, thousands of miles across oceans, there's a friend you'd like to visit—or an important business matter to settle, pick up your telephone. Say to your Long Distance operator: "I want to make an overseas call."

4. AUSTRALIA

3. SCOTLAND

2. BOLIVIA

1. EGYPT

BELL SYSTEM OVERSEAS TELEPHONE SERVICE



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## THE COVER

It is not easy for America to understand Nehru and what he represents in the modern world. Head of a state which can be a vast new market, leader of a people who still must be led into the 20th century, cornerstone of an Asiatic policy which may be a bulwark against Communism—he is all this and more.

Just as one may find a key to Stalinism by reading Marx, one may find a key to Nehru's India by reading the Bhagavad-Gita, the great book of Hindu religion and philosophy. It calls men to greatness, to devotion, to saintliness. • **Synthesis**—Ancient are the wellsprings of Nehru's culture and the matrix of India's civilization. How they may be joined to the atomic age can prove to be one of the chief problems of statesmanship in this generation. Today's best hope for the accomplishment is Nehru himself. In him, somehow—such is the magic of his personality—the Bhagavad-Gita and the Smyth Report can perhaps be reconciled.

Nehru now inherits the mantle of Gandhi, after long years under the long shadow of the Mahatma. No other single thing testifies to Nehru's stature so aptly as the fact that, when Ghandi fell, the movement for which he was the only symbol went on at an accelerated rate under the man now in the U.S.

• **Partnership**—America will never live with India on America's own terms. An effective partnership will involve yielding some of the single-minded determination to create and build and improve which strongly flavors the American character. In the vast land of India matters of the spirit have a value beyond any recognized by the Western World.

Nehru understands that India will have to yield, too. That's why this man of peace can talk about equipping the Indian army; that's why this man of contemplation can talk about hydroelectric dams, sanitation, and mass production.

—Complete story on India's place in U. S. foreign policy on page 109. Cover photo by Henri Cartier-Bresson from Magnum.

## Why We Photocopy Our Records



- 1. WOODWARD & LOTHROP DEPARTMENT STORE—** Photocopies of incoming invoices give information to buyers and merchandise managers—prevent loss of invoices—assure payment by due date.
- 2. MARSH STEEL CO.—** Photocopies of visible index panels showing customer accounts simplify and speed the creation of semi-monthly bills.
- 3. ACACIA MUTUAL LIFE INSURANCE CO.—** Photocopies make accounting and policy information available to all departments at any time—centralize control of the premium account cards.
- 4. CHICAGO, MILWAUKEE AND ST. PAUL RAILROAD—** Photocopies of waybills at junction points speed the movement of trains—provide faster movement of freight.

Now is the time to whittle down your costs. The New Record Dexigraph can help you do it, just as it helps other businessmen.

Photocopies reduce clerical time spent in copying—make information available to many departments at once—tighten control over office costs and operating records.

Dexigraph serves all departments of your business—production, sales, personnel, accounting. It is easily moved from one department to another—copies records up to 14" x 17"—frees typists for other work—provides complete, accurate copies quickly—eliminates proofreading.

Complete Kardex slides, or other visible index panels, are copied on a single sheet of Dexigraph paper. Such copies are especially helpful in personnel, sales, and accounting offices, and are frequently used to send up-to-date information to branch offices.



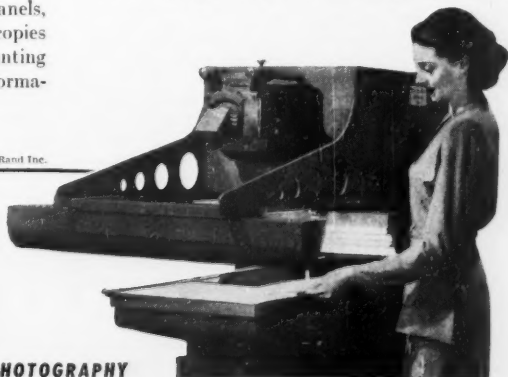
**FREE BOOKLET.** Send for your free copy. No obligation. Write to Systems—Photo Records, Management Controls Div., Remington Rand Inc., Room 291, 315 Fourth Ave, New York 10.

### Remington Rand

**FOR GREATER BUSINESS EFFICIENCY—USE RECORD PHOTOGRAPHY**

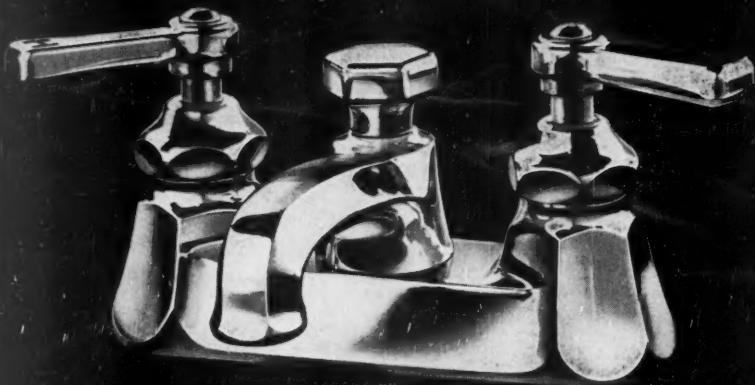
### Why we use the new Dexigraph

- No need to send out for copies. Dexigraph moves right to the records.
- Easy to operate. No previous experience needed.
- Copies records up to 14" x 17".
- We get up to 150 finished copies per hour per operator—300 or more with two operators.
- Every copy is accurate, complete, permanent.
- No special wiring or plumbing at point-of-use. Developing is a separate and simple operation.


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# Smart Fitting



A GOOD PLUMBING FIXTURE can only function at its best when its fittings are of top quality. For the faucets and drains and shower-heads are working mechanical parts that determine its performance.

So, we take endless pains to make sure that American-Standard fittings are equal in quality to American-Standard fixtures.

The metal is cast by master craftsmen. The castings are accurately machined and threaded. Since no plating can be better than the surface it covers, all castings are scrupulously cleaned and smoothed—and then electrolytically plated with separate coats of nickel and chromium.

This handsome chromard finish retains its sheen . . . will not tarnish or corrode. And when an American-Standard fitting leaves our plant after passing its final tests and inspections, you can expect it to *work right* and *look right* for years to come.

That's why it's a smart idea, whether you're buying fittings for replacement or new fixtures, to insist on American-Standard.

American Radiator & Standard Sanitary Corp.,  
General Offices: Pittsburgh 30, Pa.



*Look for this Mark of Merit*

**AMERICAN-Standard**

First in heating . . . first in plumbing



# BUSINESS OUTLOOK

BUSINESS WEEK

OCTOBER 22, 1949



The squeeze in steel is building up fast. Each week the strike means around 1.5-million tons are lost.

Big appliance makers began tapering off production this week. The effects won't show up in their output for a while. Final assembly will continue for a couple of weeks after work on subassemblies has stopped.

•  
Commerce Secretary Sawyer predicts that the steel and coal strikes will throw 5-million men out of work if they run to Dec. 1 (page 15). His figure may be a little high—but not much.

Already unemployment has turned upward. New claims for unemployment insurance jumped 63,800 in the week ended Oct. 8.

•  
If you looked at the stock market alone, you could never guess that two of the country's basic industries were strikebound. Up to the middle of this week, Wall Street ignored the steel and coal tieups completely.

Stock prices now are generally higher than they have been any time this year.

Traders obviously are looking beyond the strikes. They think they see good business and good earnings in late 1949 and early 1950.

•  
Wall Street's reputation as a prophet isn't worth much any more. It has been wrong more often than right in the past three years.

But a lusty market would help a lot to make business boom in 1950. It's not just that rising stock prices make businessmen feel happy. A good market for stocks could provide some of the money that business needs to keep up its capital-expansion program.

Most corporations have been financing new plant and equipment out of earnings and reserves. But profits will be down this year. And stockholders are screaming for a larger share of what is left.

That is where a healthy market for equities would help. If companies could sell stock, a lot of deferred expansion plans would come out of the mothballs next year.

•  
Stock prices still have a long way to go before they look right to business.

To sell stock today, you have to give the buyer about 7.5% on his money. That is the average yield on all dividend-paying stocks on the New York Stock Exchange, computed by the Cleveland Trust Co.

The yield on high-grade corporate bonds is only about 2.6%.

With a spread like that, there's a terrific temptation for a corporation to borrow money instead of selling equities.

But a cautious businessman shies away from bonds. He is afraid of getting too much debt out. Often he would rather shelve the whole project.

•  
Capital spending is the key point in any forecast of 1950 business.

You know that government spending will be high (page 19). And you can be fairly sure that consumers will keep on spending freely.

If outlays for plant and equipment hold up, you can count on a real boom. If they shrink drastically, they could wipe out all the other pluses.

•  
Railroads have a statistical paradox on their hands this week—a car shortage at a time when carloadings are running 35% under last year.

The steel and coal strikes explain the drop in loadings. Ordinarily,

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**  
**OCTOBER 22, 1949**

this would be the peak season for rail traffic. But with two of the biggest items knocked out, loadings are way down. They are now running under 600,000 a week. This time last year they were over 900,000.

At the same time there aren't enough cars in the Midwest to move the bumper grain crop. And the idle cars on the eastern lines are no good for this.

•  
Farm surpluses will pile up worse than ever in 1950.

Congress voted this week to continue price support for basic crops at 90% of parity through next year. This rules out the only really effective method of preventing surpluses—cutting prices.

•  
The whole farm price-support program has a rough road ahead of it.

There is a surplus of about 9-million bales of cotton in sight now (BW-Oct. 15'49, p10). The Agriculture Dept. has just set up a marketing quota to hold next year's crop to 11.7-million. But even that is 3-million more than a liberal estimate of what we need to maintain "normal supply."

Corn is already selling well below the loan rate. Cash corn in Chicago brings about \$1.20 a bu. The support price is \$1.55.

The fall run of hogs to slaughter is working up toward its peak. And hog prices are coming down close to support levels. This week, the top price for hogs at Chicago was the lowest since the end of OPA.

Beef cattle prices are still high as a kite. But there is a big supply in the making for 1950.

•  
Cotton consumption showed a nice snapback in September. That was the beginning of this fall's revival in the textile industry.

U. S. mills used 709,958 bales in September. That's a drop of 30,000 from the same month last year. But it's up 45,000 over August, and 255,000 over July, the midsummer low.

•  
Cotton continues to lose ground in the tire industry.

Total tire-cord consumption in the second quarter of 1949 was 16.5-million lb. under the same period of 1948. Cotton cord was down from 72-million lb. to 48-million. Synthetic cord was up from 60-million to 68-million.

It was only last year that synthetic overtook cotton in tire cord.

•  
Pacific Northwest lumbermen are feeling chipper again. They are getting the effects of the homebuilding boom (BW-Oct. 15'49, p19).

Orders for Douglas fir have topped production in nine of the last 12 weeks. Gross stocks at the mills are the lowest in a year.

Stocks dropped 38-million bd. ft. in September. Unfilled orders rose 12-million.

•  
Prices of the three nonferrous metals—copper, lead, and zinc—ordinarily move the same way. Lately, they have split.

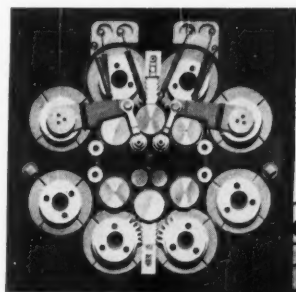
Copper is strong at 17½¢ a lb. The trade reports exceptionally heavy buying.

Lead has dropped from 15½¢ to 13¢. The battery business demand is off. And foreign offerings have pushed down the price.

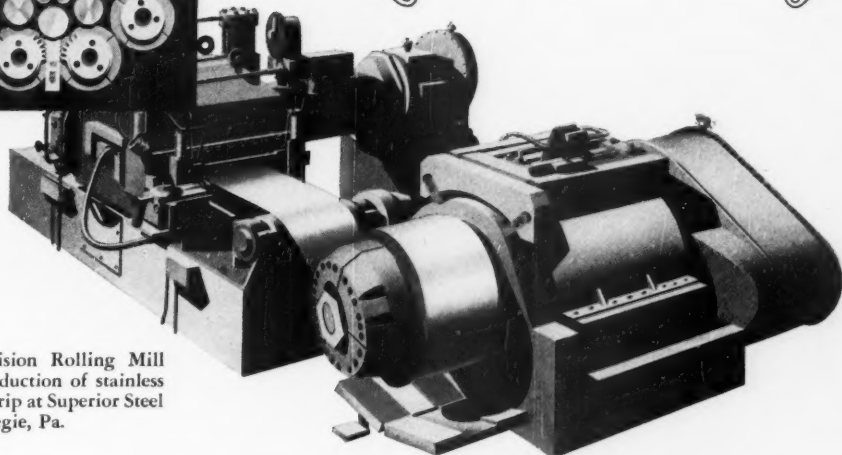
Zinc at 9¼¢ is weak. The steel strike has knocked out the biggest customers—the galvanizers.

## GULF STAINLESS METAL OIL

extends roll and bearing life, improves strip finish  
in precision Cold Rolling Mill



Sendzimir Precision Rolling Mill  
used for cold reduction of stainless  
and alloy steel strip at Superior Steel  
Company, Carnegie, Pa.



One of the many ways that  
industry makes multiple savings  
with Gulf Quality Petroleum Products

Because the work rolls in this modern precision cold reduction mill are only  $\frac{3}{4}$ " in diameter, they attain reductions in strip thicknesses up to 50% in a single pass. Each work roll is rigidly supported by 9 backing elements instead of one back-up roll as in a conventional cold rolling mill. Extremely close tolerances are attained economically, even on medium gauges!

For this type of strip mill a quality oil with unusual properties is required. The oil must not only protect the bearings and rolls against wear, but must also help produce the desired strip finish. Then, too, it must leave no stain when the strip is annealed—must have good "burn off" characteristics, and it must be stable in order to resist all forms of oxidation.

Gulf Stainless Metal Oil is widely used in this precision equipment—for rolling both stainless and alloy steels, and is establishing outstanding performance records.

Another typical example of how Gulf Quality Petroleum Products are helping industry get greater production at lower cost. Make sure you are getting the advantages of recent developments in petroleum science. Call in a Gulf Lubrication Engineer today. Write, wire, or phone your nearest Gulf office.

### Gulf Oil Corporation • Gulf Refining Company

Division Sales Offices:

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New Orleans • Houston • Louisville • Toledo



Helps make machines  
produce more at lower cost

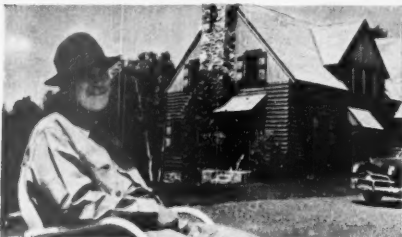
DAVIDSON'S

## Smart idea!

**He blasts a sky-line drive atop a mountain to unfold scenic wonders to scores of tourists!**

"I WANTED to share the beauty of Vermont," says Ford Truck user J. G. Davidson. "So, I built a road that makes Equinox the only mountain peak in New England the precise summit of which is accessible by motor car."

Equinox Sky Line Drive was completed in 1947. Since then this 6½ mile toll drive has played host to swarms of tourists. "Equinox will be one of the stand-out attractions of New England when Sky Line Inn, ski runs and a scenic park now planned are completed," says Davidson.



**J.G. DAVIDSON** built his home halfway up Equinox. Impressed with his surroundings, he cut a 6½-mile road, two miles of it through solid rock, to the summit of Equinox so that more folks could look and enjoy.

**EQUINOX** Sky Line Drive, starting near Manchester, Vermont, is a picnickers' paradise. Many out-of-staters stop to get a picture of four states and three great mountain ranges visible from Equinox.



"IT'S NO PICNIC for a truck. Maintenance and construction work on Equinox Mountain is tough," J. G. Davidson (left) tells Ford Dealer H. E. Dooley. "That's why I chose Model F-6 Ford Trucks. They're Bonus Built to take the punishment of mountain driving."

"Ford Trucks are Bonus Built to last longer, too," adds Dooley. "We've got Ford Trucks for any kind of hauling... over 150 models in all, from light-duty Pickups to big 145-horsepower Ford V-8 Big Jobs. They're all built super-strong to last longer."

DAVIDSON'S

## Smart bet!

**FORD TRUCKS LAST LONGER!**

Using latest registration data on 6,106,000 trucks, life insurance experts prove Ford Trucks last longer!

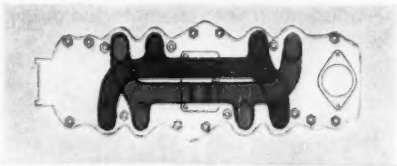
DAVIDSON'S

## Smart move!

**He uses 3 Ford Bonus-Built Trucks for maintenance and construction work on Equinox!**

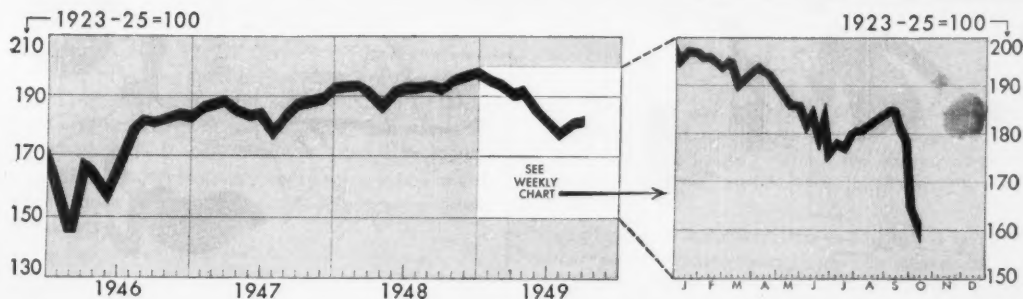


"ON MOUNTAIN grades, truck drivers really begin to appreciate Ford's Roll-Action Steering," Dealer Dooley tells Davidson (right). "This heavy-duty truck steering gear makes driving safer. And a double row of needle bearings helps give car-like steering ease."



"LOOK at V-8 engine manifold design and you see why Ford Trucks have plenty of power for the hills. Manifold 'leads' to each cylinder are extremely short. The short-reach principle gives a faster, more efficient, fresh-from-the-carburetor delivery of fuel mixture."

# FIGURES OF THE WEEK



## Business Week Index (above)

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	9.3	9.3	86.2	99.1	97.3
Production of automobiles and trucks.....	147,323	†148,443	159,493	123,185	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$24,231	\$27,027	\$28,105	\$24,897	\$19,433
Electric power output (million kilowatt-hours).....	5,481	5,450	5,579	5,482	3,130
Crude oil (daily average, 1,000 bbls.).....	4,985	4,956	4,845	5,586	3,842
Bituminous coal (daily average, 1,000 tons).....	368	304	1,196	2,056	1,685

### TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	67	75	75	87	86
All other carloadings (daily average, 1,000 cars).....	29	34	50	62	52
Money in circulation (millions).....	\$27,546	\$27,476	\$27,454	\$28,284	\$9,613
Department store sales (change from same week of preceding year).....	-12%	-8%	-4%	+11%	+17%
Business failures (Dun & Bradstreet, number).....	172	182	185	94	228

### PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39=100), Aug. 168.8	....	....	168.5	174.5	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100).....	336.1	†337.4	348.1	405.5	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	224.0	224.8	230.4	275.6	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	292.5	296.7	300.9	326.2	146.6
Finished steel composite (Iron Age, lb.).....	3.705¢	3.705¢	3.705¢	3.720¢	2.396¢
Scrap steel composite (Iron Age, ton).....	\$26.50	\$26.58	\$27.42	\$43.16	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	17.625¢	17.625¢	17.625¢	23.500¢	12.022¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$2.19	\$2.22	\$2.16	\$2.21	\$0.99
Sugar (raw, delivered New York, lb.).....	6.01¢	6.00¢	6.01¢	5.63¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	29.56¢	†29.61¢	29.97¢	31.28¢	13.94¢
Wool tops (New York, lb.).....	\$1.658	\$1.630	\$1.646	\$1.575	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	16.30¢	16.30¢	17.86¢	22.55¢	22.16¢

### FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	126.1	†126.0	123.0	128.7	78.0
Medium grade corporate bond yield (Baa issues, Moody's).....	3.36%	3.36%	3.37%	3.49%	4.33%
High grade corporate bond yield (Aaa issues, Moody's).....	2.61%	2.61%	2.60%	2.83%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-13%	14-13%	14-13%	14-13%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	13%	13%	13%	14-14%	4-4%

### BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	46,283	46,286	46,930	46,593	†127,777
Total loans and investments, reporting member banks.....	66,207	66,077	66,294	62,114	†32,309
Commercial and agricultural loans, reporting member banks.....	13,566	13,434	13,171	15,458	†16,963
Securities loans, reporting member banks.....	2,016	2,099	2,206	1,480	†1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	37,300	37,252	37,594	33,022	†115,999
Other securities held, reporting member banks.....	5,032	5,056	5,038	4,378	†14,303
Excess reserves, all member banks.....	960	1,150	1,210	929	5,290
Total federal reserve credit outstanding.....	18,287	†18,406	17,804	23,967	2,265

\*Preliminary, week ended October 15.

†Revised.  
††Estimate (BW—Jul.12'47,p16)

‡Date for "Latest Week" on each series on request.





1. If you would come to Statler and should go behind the scenes, you'd meet the Statler family, and you'd learn what Statler means. It isn't bricks and stones and steel that make a great hotel; it's friendly, helpful people who just want to serve you well!



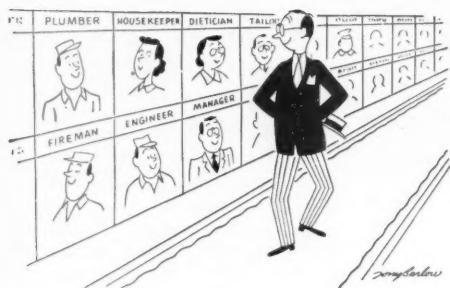
2. You'll find the maid who cleans your room, the one who makes the beds with their eight hundred springs and more for travel-tired heads, the men who fix your radio, the ones who check the lights, are working for a common goal—to give you restful nights.



3. To keep the Statler bath a place you like to take a swim in takes lots of loyal service from the Statler's men and women. They polish it and shine it (Yes, you'll find the water hot), and see that stacks of soap and towels are always on the spot.



4. The pastrymen, the pantrymen, the oystermen, the bakers, the chefs, the cooks, the butchers, and the Statler's ice cream makers, all do their best behind the scenes to make each dish a treasure so you will find your Statler meal a gustatory pleasure.



5. And hundreds more we haven't named, and whom you never see, all play their part in bringing you true hospitality. From manager, right through the staff, within each Statler breast there's one ideal: To make you feel you really are a guest!



STATLER HOTELS: **NEW YORK** (FORMERLY HOTEL PENNSYLVANIA)

**BOSTON • BUFFALO • CLEVELAND**

**DETROIT • ST. LOUIS • WASHINGTON**

STATLER OPERATED **HOTEL WILLIAM PENN • PITTSBURGH**



# WASHINGTON OUTLOOK



**NOURSE'S RESIGNATION** as chairman of the Council of Economic Advisers means that hereafter the advice that Truman gets from this group will be New Deal, pure and simple. Whoever replaces Nourse will be overshadowed by vice-chairman Leon Keyserling.

That's why Nourse's leave-taking has more significance than just a final defeat in another bureaucratic battle.

It's true that Nourse from the start has never seen eye-to-eye with Keyserling, or with John Clark, on just what the role of the council should be.

Nourse sees the council as a technical body. He thinks its job is that of charting for the President the economic implications of all tentative government programs. And to be able to evaluate fairly, you've got to be politically neutral.

Keyserling and Clark insist that the economist who isolates himself from politics has lost contact with the world.

So while Nourse refused to testify even before congressional committees, Keyserling and Clark were always willing to go to bat for an Administration bill. You recall Keyserling went to the Democrats' recent San Francisco conference to help shape a program that would get votes in the West.

Nourse, at last, decided that he could never get the council to go his way.

His decision was reinforced by the conviction that the Administration is engaging in dangerous practices—like large-scale deficit spending in a period of peacetime prosperity. And he has no faith in Keyserling's promise that the Fair Deal, if pushed to the limit, would give every family at least a \$4,000 annual income by 1958.

But Keyserling is the darling economist of the Democratic Party, and he—not Nourse—has Truman's ear.

Nourse's successor is proving hard to find. Truman has had the resignation—effective Nov. 1—for several months now. But he can't seem to coax a big-name economist into the ring with the aggressive Keyserling.

A possible easy solution for Truman: Promote top-staffer Gerhard Colm. He's a respected economist, knows his way around Washington, has no political enemies.

**BEHIND SAWYER'S WARNING** that a long steel strike will reverse the economic upturn was

a quickie telegraphic survey of the intentions of metal-using industries.

The Commerce Dept. wired these questions: (1) When will you begin allocating inventory, and (2) when will you have to shut down? The answers added up to 2-million thrown out of work if the strike lasts until Nov. 1, 5-million if it goes to Dec. 1.

Sawyer's statement was conceived as government's first "fact-finding" of steel-strike consequences, a necessary stage-setting for any intervention Truman decides upon.

**CONGRESS BURIED** the idea of flexible price supports when it voted the new farm law just before it quit for the year.

The Anderson-Gore act can be no more than another stopgap. So Congress will be faced with the problem again next year, with only these two methods of handling surpluses now in sight:

(1) Indefinite extension of 90% of parity guarantees, plus production controls tighter than any imposed heretofore.

(2) The Brannan Plan of direct subsidies to make up for below-parity prices in the marketplace, plus just as strict controls.

The legislation Congress finally pieced together this year is a classic bit of log-rolling. It protects the basic crops that have always been supported; it also brings in such newcomers as mohair, tung nuts, and honey.

Support prices are going to be at the same level as this year on cotton, wheat, corn, and peanuts. And they will be even higher on rice, tobacco, butter, and milk.

The new law, even with acreage allotments, is bound to increase government commitments at a faster rate than the total of \$3-billion that was obligated in the last couple of years.

**FOURTH-ROUND PAY BOOSTS** for government workers came this week from Congress. For the average bureaucrat the boost was \$150 a year. The wartime \$1,620-a-year steno or clerk moves up to \$2,650; the \$6,500 second-layer bureau assistant or professional man, up to \$8,800.

In part, the boost was Congress' way of making politically acceptable the first upward revision in modern times of top-level salaries—from \$15,-

# WASHINGTON OUTLOOK (Continued)

000 to \$22,500 for cabinet officers; from \$10,000 to \$15,000-\$17,000 for agency chiefs.

These increases are aimed at making it easier for government to compete for top-flight policy personnel.

**THE NATION'S DEFENSE PLAN**—the allocation of missions and strengths among Army, Navy, and Air Force—is not going to be changed by the Navy's beefs to Congress.

That holds, unless Congress itself takes over the job of refining strategy—and writes laws that cannot be evaded. (Example: a law directing, not just authorizing, the big carrier.)

Congress won't really go in for upsetting Pentagon decisions. Its one effort this year—voting funds for a 58-group Air Force instead of Truman's 48 groups—is likely to fizzle. Truman simply won't let the Air Force spend the money to expand.

Truman is satisfied that the distribution of the defense job, as he himself imposed it on the Pentagon in his January budget, is O.K. He has said that nothing the Navy brass produced at the Vinson hearings changes his mind.

**WEST GERMANY** definitely will be one of the nations with which the U.S. will negotiate tariff cuts next year.

That means—under the principle of dealing with the traditional major supplier—that the U.S. will be talking duty cuts for the first time on many machinery and equipment items (BW-Sep.24'49, p117).

Japan, however, will not be invited to next summer's tariff bartering.

**GOLD-PRICE INCREASE** rumors are floating around again. G.O.P. Congressman Taber, Appropriations Committee boss last year, charges Truman is secretly plotting to jack up the price.

You can forget the idea.

The Treasury is dead set against any jiggling of gold prices. It's not just a for-the-record opposition either.

The Treasury's reasons against upping the price of gold are: (1) It would disrupt world-trade conditions; (2) it would profit only those who have been hurting world recovery by hoarding; and (3) it would help only a few parts of the world, notably South Africa.

Pressures for increasing the price of gold are likely to grow, though.

The idea may get important proponents if devalued foreign currencies begin to cut U.S. goods out of world markets.

After all, a higher gold price is just another way of saying "devaluation of the dollar."

**IF YOU ARE SIGNING UP** with the steel workers before Big Steel settles, make the union give you a "most favored company" clause.

That's a contract clause guaranteeing you as good a deal as the best Phil Murray later may give to any other company. A score of smaller fabricators has already got this concession in exchange for noncontributory pensions and insurance.

**AS A COME-ON** to get you to read its report to member banks, Federal Deposit Insurance Corp.'s press agent had printed on the report cover this promise: reading time 12 minutes.

**REP. CELLER'S MONOPOLY INVESTIGATION** is going to poke into federal tax laws to see what might be done to tighten up government anti-trust policy.

One thing the committee wants to develop: While the trust-busters demand breaking up of concentration, the heavy capital-gains and inheritance taxes practically prohibit voluntary dissolutions.

Out of the inquiry will come some recommendations to remove the inconsistencies between tax law and antitrust law.

This phase of the investigation is scheduled for Nov. 1, 2, and 3. It will take up the second week of hearings that start again next week.

Other subjects set for committee hearing this fall: government procurement policies and their effect on small business; the Reed-Bulwinkle railroad rate-making law; life-insurance companies as a source of investment capital; and the monopolistic effects of present patent laws.

**COAL AND STEEL STRIKERS** aren't getting unemployment compensation payments from the states. New York and Rhode Island are the only two states that classify strikers as eligible for jobless pay.

"Without my  
Sperry Gyrosyn  
I couldn't  
have won!"



James Stewart and Mrs. Stewart congratulate the winner. Stewart owns the plane.



Navigating solely by dead-reckoning with the Gyrosyn\* Compass, Joe De Bona at the controls of his F-51-C "Thunderbird" set a new race record of 470.136 miles an hour in the 1949 Bendix race.

"I was able to 'steer to a degree' with the Sperry Gyrosyn," De Bona said. "After setting the Gyrosyn at take-off in California to insure the best 'take-off heading,' I climbed to 27,000 feet and navigated a great circle course entirely by this instrument. To confirm my 'on course' accuracy, I used visual checks along the way.

"For example, I dead-reckoned about 850 miles to Colorado Springs, and computed a course 10 miles south of the city. It looked like about 6 to 7 miles south when I passed over. Later, my course called for a heading which cut

between Goshen and Ft. Wayne, Indiana. When I got there, I split the two towns accurately as planned."

This transcontinental speed dash tests the skill of the pilot, and the flying ability and stamina of his plane. In winning the 2100-mile race in 4 hours and 16 minutes, Joe De Bona proved that he had both. And in flying at a speed where a minute means about 8 miles, he was able to prove once again, the importance of pin-point navigation and the Gyrosyn Compass.

*Joe De Bona*

1949

Bendix Trophy

Winner

\*U. S. REG. U. S. PAT. OFF.

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# LIGHTING NEWS

New lamps—new uses—money-saving ideas



**LIGHTING LOWERS COST AT TEXTILE MILL.** Engineered lighting at Bachmann Uxbridge Worsted Corp. has consistently paid off in all production operations, according to J. M. Shute, Electrical Engineer. Careful tests show

weaving efficiency up 10.5%, mending costs down 39.6% when lighting was raised from 14 to 70 footcandles with General Electric fluorescent lamps.

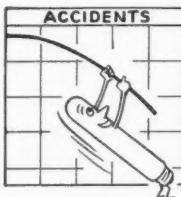
## **NEW LIGHTING CUTS OFFICE ERRORS.**

Errors dropped sharply when a leading market research organization moved to new quarters with top quality fluorescent lighting. Manager states that IBM machines are used, with punch cards checked by holding them up to light. He credits drop in mistakes to better lighting provided by General Electric 40-watt, low-brightness type lamps.



**STILL TIME FOR TOWNS TO PLAN XMAS LIGHTING.** Retail sales go up when streets are decked with Christmas lighting. Brightly

lighted decorations help draw people downtown, remind them to start Christmas buying. For holiday lighting ideas, write for free booklet, "Decorate With Light for the Brightest Christmas Ever." General Electric, Div. 166-BW10, Nela Park, Cleveland 12, Ohio.



**ACCIDENTS WERE REDUCED 32% AFTER RELIGHTING,** reports one of the country's largest manufacturers. A combination of General Electric mercury and filament lamps in a high-ceilinged shop upped lighting

from 5 to 20 footcandles—reduced accidents a third. The manager of the plant's health and safety dept. cites better lighting as a big factor in reducing accidents.



## **BARREL OF LIGHT IN A QUART JAR.**

General Electric engineers have developed a bigger lamp for high intensity spotlights that gives steady light output on both a-c and d-c circuits. About the size and shape of a quart jar, this 3,000-watt bulb is designed for long-range spotlighting in trade shows and other exhibitions.

For more data on the items above and for complete information on lamps and lighting, phone your local General Electric Lamp Dept. office.

You can put your confidence in—

**GENERAL ELECTRIC**



## Is a New Boom in the Making?

A lot of businessmen think they smell one coming. Reasons: the bouncy recovery since July, a \$5-billion federal deficit.

Only six months ago, the United States swarmed with prophets of doom. It was almost a contest between businessmen and government economists to see which could be most pessimistic.

• **Instinct**—Today, it is hard to find a businessman who is really worried about recession. In fact, you find a good many businessmen—and a few economists—who are sure they can sniff a new boom in the making. Just on sheer instinct, some of these businessmen are making their 1950 plans on this assumption: roaring prosperity that will look more like 1948 than like 1949.

Behind their feeling is the startling resiliency with which one line after another has bounced back from the 1949 slump (BW—Oct. 15 '49, p. 24). Even the first effects of the coal and steel strikes—the way they tended to create demand backlogs at both industrial and consumer levels rather than to scare off buying—has reinforced the optimistic feeling.

• **Federal Deficit**—Actually, a businessman can find more than intuition to make him leave a place open in his plans for the possibility of a renewed boom. Biggest fact to balance against the view that the postwar zing is out of the economy is that the federal government is again running at a substantial deficit.

In the fiscal year ended June 30, 1947, the Treasury showed a surplus of some \$800-million—the first time it had been out of the red in 17 years. In the following year, government economies, coupled with a booming national income that produced high revenues, resulted in the biggest surplus in history: \$8.4-billion.

In his budget message of last January, President Truman estimated that the budget would be almost—but not quite—balanced in the 1949 and 1950 fiscal years. The deficit would be \$600-million in fiscal 1949, \$900-million in the year ending in mid-1950.

When June 30 rolled around, the 1949 deficit turned out to be a little more than \$1.8-billion.

The 1950 deficit may be nearly three times as much. It's already clear that Truman's estimate of federal spending

wasn't high enough, while his estimate of federal revenues was way too high. Here's how the figures stack up:

**Spending.** The budget figure was \$41.9-billion. But budget estimates were inadequate in many places. Chief among them are arms aid to Europe, price-support payments to farmers (which will be much higher than anticipated), RFC's increased buying of mortgages from banks. A part of this rise will be offset by decreases elsewhere, caused mostly by Congress' delay in passing appropriation bills. But the net result will probably be a rise of anywhere from \$700-million to \$1.1-billion, bringing total expenditures to something between \$42.6-billion and \$43-billion.

**Revenues.** Estimates here are bound to be more tenuous, because the government can't control its receipts the way it can its spending. The budget figure was \$41-billion. That would have

represented an increase of almost \$3-billion over fiscal 1949—an obvious impossibility as things have turned out. Actually, national income in fiscal 1950 could be as much as 5% below the previous year. Applying this percentage to last year's \$38.2-billion in revenue would give you \$36.3-billion for this year. That doesn't take into account the difference in distribution of national income, so it's probably too low. By and large, a figure of around \$37.5-billion—give or take a few hundred-million—is about as close as you can come at this early date.

• **\$5-Billion Stimulus**—So it looks as if the federal government, between now and next June 30, will be pumping better than \$5-billion a year more into the business world than it takes out of it. That's a degree of pump-priming that would have made the original New Dealers' mouths water.

• **Consumers Won't Down**—Ranking high among the bullish factors is the buoyancy of consumer demand. It was this buoyancy, perhaps more than any other one thing, that brought us out of the recent recession so rapidly. Buying at the consumer level continued all through the slump. Consumers were willing to dip a bit into their savings to buy the things they wanted.

What's more, they want a lot of things—and they have a lot of savings. That's what the Federal Reserve Board's survey of consumer finances adds up to. About 35-million of the nation's 50-million families still have liquid savings in the form of cash or government bonds, says FRB (BW—Jun. 18 '49, p. 19). And they intend to buy more houses, more automobiles, more television sets than they did last year. Unless something catastrophic changes those plans, they make up a startling backlog of consumer demand.

• **More Cash**—To provide even more cash for some of this spending, the government is going to pour almost \$3-billion in G.I.-insurance refunds into the hands of veterans in the first half of next year. At best, this could put a lot of new impetus behind consumer buying. At worst, it will at least offset the deflationary drain on the economy caused by the Mar. 15 tax payment.

• **Capital Comeback**—Big question mark for next year is the amount of capital spending by industry. The latest figures



**BUDGET MAKER** Frank Pace has at least as much as Congress to do with the level of federal spending. Not only does his Budget Bureau set the figures asked of Congress, but it also keeps a strong hand on actual expenditures, sometimes doesn't let a department spend what Congress provides.



compiled by the Securities & Exchange Commission and the Commerce Dept. show that businessmen plan to spend 21% less on expansion and modernization in the fourth quarter of this year than they did in the same period of 1948. On its face, that looks like bad news. But it's not at all sure that the figures should be taken at their face value. In the last month or two, both production of machinery and new orders for machinery have flattened out or even turned slightly upward. That could portend an increase in spending for machinery next year (BW-Oct.8'49,p24), since orders are placed and machinery is built ahead of actual spending.

Another point: The government data on fourth-quarter spending plans were gathered in July, when most businessmen were very gloomy about business prospects. Since then, there has been a practically unanimous and amazingly fast turnaround in businessmen's sentiment. There has been no time yet to measure the impact of that change in sentiment on capital-spending plans—and it could have a heavy one. If it does, then capital spending can definitely shift to the bullish side of the outlook—because there's still tremendous room in the country's productive plant for such spending, particularly on modernization.

• **Confidence**—Across the board, the fast turnaround of business feeling is the best evidence of the amount of zip that's left in the economy. It seems as though the 1949 slump was just bad enough to wash out a lurking feeling in the minds of many businessmen that prosperity simply couldn't last, that there simply had to be some sort of postwar bump.

In addition, the slump has provided a reassuring test of the well-touted "props" under the boom. Farm income, for instance, was protected by price supports. And depressed areas like Lawrence, Mass. (BW-May7'49,p24), showed how the rigidity introduced into the wage structure by strong unions, plus availability of unemployment insurance, can prevent a collapse of buying power when business sags.

• **Wage Pattern**—Curiously, business confidence is getting an extra fillip from what, coldly considered, is a bearish factor—the nature of the fourth-round wage settlements.

In past years, wage rounds have given a boost to buying power which offset higher prices, even while it contributed to them.

This year, pay increments are smaller, in the 5¢ to 10¢ range. And more important, much of the extra pay isn't really being paid out. A pension plan adds nothing immediately to buying power; but it has almost as much effect on costs—and prices—as a direct pay boost.

## Delivered Pricing Still Fuzzy

Compromise version of O'Mahoney bill is hung up till January. If it goes through, it will legalize individual use of delivered pricing, make "good faith" sole issue on price discrimination.

Businessmen who have been waiting a year and a half for a law legalizing delivered pricing are apt to recall the old Army quip: "Hurry up and wait."

• **Forward and Back**—Ever since the Supreme Court's cement decision threw a cloud over delivered prices, it has been touch and go whether Congress would overrule the Court.

Last week businessmen saw two hurry-up steps forward as (1) a conference committee agreed on a compromise version of the O'Mahoney bill (BW-Jun.11'49,p19), and (2) the House approved the conference bill.

But this week the Senate said, "Wait." A pint-sized filibuster by Senators Douglas and Long forced the Senate to drop the whole thing until Jan. 20. In the long run, the wait will last for years—until the courts have had a whack at whatever law is passed.

• **Crucial Point**—When the Senate does dig into the present bill, you can

look for an all-out fight, turning on the classic issue of hard competition versus soft competition. The real split—among businessmen as well as senators—is on this question:

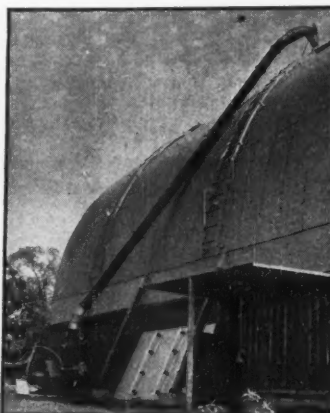
Should the Robinson-Patman Act be amended to let a seller charged with price discrimination go free if he can show that his lower price to one customer, as compared with another, was made to meet the lower price of a competing seller?

Hard competition says: You're darned right. This is the line the original O'Mahoney bill takes.

Soft competition says: Sure—but not if Federal Trade Commission finds that the net effect of this discriminatory price may be substantially to lessen competition.

• **The New Bill**—Essentially, the compromise bill boils down to this:

Individual use of delivered pricing is legalized. "Good faith" in meeting



FILLING the barn with hay, and . . . FEEDING the cattle are mechanized at . . .

## Fiddler's Creek: an Engineered Farmland

At Fiddler's Creek, a 130-acre farm near Lambertville, N. J., a remarkable experiment in agriculture has been under way for the past four years. This week the men who conceived it—Paul M. Mazur, a New York banker, and farm specialists from Rutgers University—made the first general report on its progress. Beginning with soil and grasses, the experiments have moved on through cutting and curing techniques, to new ways of storing hay and feeding

cattle. Most spectacular of the developments is Mazur's barn. Built as a quonset within a quonset, it practically eliminates hand labor. Hay is mechanically pulled from trailers and is blown through a tube to the top of the barn. It then goes into compartments between the quonsets. The compartments run from top to bottom, have feeding gates indoors and out. As the steers eat away at the gate level, more hay drops in from above.



a competitor's lower price is enough to stop cold FTC complaint based on charges of price discrimination.

Rcp. Patman claims this version guts his Robinson-Patman Act. Others say it doesn't. Senators Douglas and Long insist it permits steel and cement producers, by using price leadership, to go all the way back to Pittsburgh-plus pricing if they choose to.

• **Provisions**—Here's a layman's trip through the latest version of S. 1008:

**On delivered pricing**—The bill states flatly that a seller, acting independently, may "quote or sell at delivered prices if such prices are identical at different delivery points," or if the differences are so small that FTC can't find that they "may substantially lessen competition."

What this part of the bill does is legalize for sure "postage-stamp" or universal delivered-price systems (cigarettes and candy bars, for example, cost the same before taxes everywhere in the U.S.).

**On absorbing freight**—The bill says it's not discrimination "to absorb freight to meet the equally low price of a competitor in good faith. . . ." But here's the important proviso—"except where such absorption of freight would be such that the effect upon competition will be to substantially lessen competition."

The "will be" originally read "may be." If the "will be" stands, FTC will have the tough—and maybe impossible—task of proving that the effect of any given freight absorption actually "will" lessen competition.

**On price discrimination**—Robinson-Patman flatly bans price discrimination "where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly. . . ." But the proposed law permits a seller to rebut the case against him by "showing that his lower price . . . was made in good faith to meet the equally low price of a competitor."

• **Test Case**—An FTC case—vs. Standard Oil Co. (Indiana)—will test just what this means. The Supreme Court will rule on the case once Congress gets some kind of law through. In that case, Standard Oil, in effect, admits that it granted a discriminatory price to certain gasoline dealers. FTC admits, as claimed by Standard Oil, that this discrimination may have been made in good faith to meet a competitor's lower price but insists that the effect of the discrimination "may be substantially to lessen competition."

• **The Difference**—If the conference bill went through, the "good faith meeting of a competitor's lower price" would be Standard's complete defense against a charge of discrimination, regardless of the over-all effect on competition.

## Strikes Can Lose Customers

The Missouri Pacific strike is a case in point. Some shippers are finding the service given by truck or competing rail lines fits their needs. They may stay away from good.

A prolonged strike is likely to mean more than just a temporary loss of business to almost any supplier of goods and services. Customers are forced to turn to alternate sources. And some of these customers are so well satisfied by the competition that they never go back.

That's what may be happening in a limited way to the Missouri Pacific R.R. A strike of the railroad brotherhoods in mid-September shut the Mo-Pac up tight as a drum (BW—Sep. 17 '49, p. 102). By the middle of this week it looked as though a settlement was only days off. But no matter when the strike ends, it's almost a certainty that the Mo-Pac will have lost some of its business permanently.

• **How Much?**—Just how much it will lose for good is still an open question. In fact, right now it's hard to tell just how much of the Mo-Pac's traffic has been diverted temporarily to what means of transportation. For freight traffic that usually moves all the way by Mo-Pac is now being shipped partly by truck, partly by rail.

You can't tell much more about passenger traffic. A Greyhound Corp. official thinks that a lot of regular Mo-Pac travelers are simply holding up for the duration. His bus line has had little increase in traffic. The competing railroads seem to be getting most of what added traffic there is. Several have had to put on extra passenger service to meet the demands. Further, the bus line profiting the most is the Mo-Pac's own Missouri Pacific Transportation Co., which parallels the railroad's routes. (It wasn't struck.)

• **Estimates**—Opinions on the Mo-Pac's long-range losses vary. Carl Giessow, director of the St. Louis Chamber of Commerce, thinks that they will be "substantial"—by which he means from 74% to 10% of the road's freight traffic.

But a trucking man—Ad Schaefer, Jr., president of the city's Motor Carriers Council—thinks this estimate "a little too strong," at least insofar as trucking companies are concerned. "The Mo-Pac will miss l.c.l. freight for a long time," he says, "but in six months it will probably be back handling the same portion."

• **Agreement**—On several points, however, there is general agreement among almost all the parties concerned:

• The truckers have picked up very little new business along the Mo-Pac lines that are paralleled by other railroads. One such road—the St. Louis

Southwestern Ry. (Cotton Belt)—has picked up some 200 carloads extra per week from connecting lines.

• Trucks have taken over a substantial portion of Mo-Pac's other long-haul business. But, as Giessow puts it, the trucking companies' biggest job has been "the transfer of carload traffic between industries on the Mo-Pac and other railroads."

• The truckers have no hope of making permanent inroads into the Mo-Pac's carload business. Their big chance lies in keeping their hold on l.c.l. shipments.

• **Case Studies**—Case studies of Mo-Pac's old customers show the sort of thing that is happening.

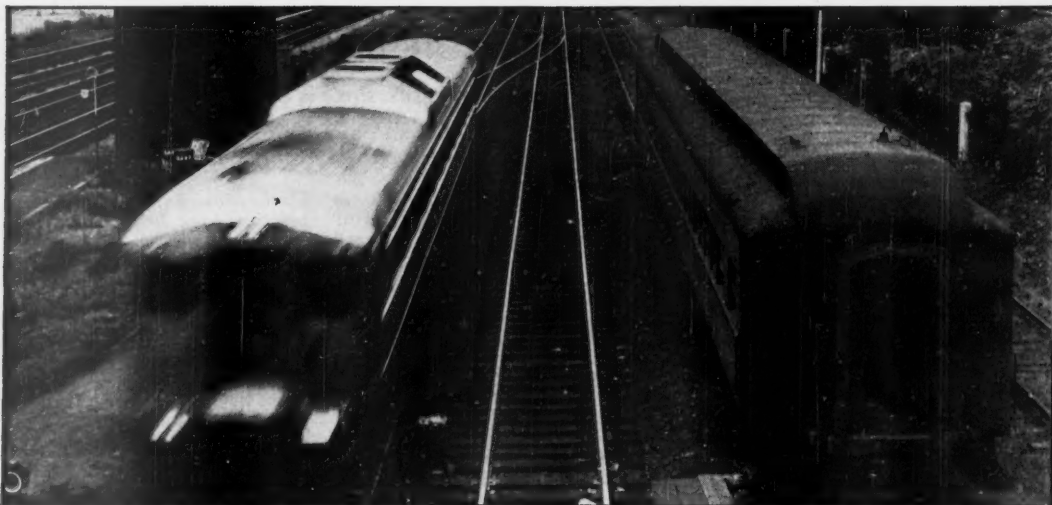
**Monsanto Chemical Co.** is one old Mo-Pac user that has discovered, thanks to the strike, that truck service fits its needs better than rail. For years it has shipped tank cars of phosphoric acid from its Monsanto (Ill.) plant to its Carondelet plant in St. Louis. But now it is using tank trucks—with some "interesting" results by way of preliminary cost comparisons.

**International Shoe Co.** now carts materials to its factories in Arkansas by truck, brings back finished shoes the same way to its warehouse in St. Louis. Traffic manager F. C. Winter says that he has found l.c.l. service more efficient by truck than by rail, and in some cases faster.

**American Stove Co.**, on the other hand, finds truck transport less satisfactory—and a little more expensive—than rail. That's partly because its St. Louis assembly line feeds directly to an indoor rail siding. Also, it is disturbed by the varying size of trucks.

**Standard Pipe Protection, Inc.**, is in still another category: It's typical of some of the few companies for which truck transport is virtually impossible because of their products. Standard ships wrapped pipe in lengths up to 60 ft.—a difficult job for trucks to handle.

It's doubtful that the truckers would welcome such business on a permanent basis. The Superior Forwarding Co., a veteran St. Louis trucker, complains about losing money on "balloon freight," such as fabricated metal pieces. But it is happy about the 50% jump in its over-all business since the Mo-Pac strike began. It is sure of keeping "a certain percentage" of this—though how much it doesn't know.



**QUICK PICKUP** of Budd Co.'s new diesel-powered coach (left) gives it advantage over trains with standard coach (right) for short-line and commuter runs. Light box and extra power build up speed fast. This trims time off schedule.

## Budd Shows Off Its One-Car Train

If you happen to see a shiny, new railroad coach all by itself on the track—and going like sixty—don't be surprised. It's probably not a runaway, just the Budd Co.'s new self-propelled passenger car, the RDC-1, out on a country-wide tour to sell itself to the railroads.

During the past three weeks, the RDC (for Rail Diesel Car) has been making trial runs for railroad officials in Chicago, Cleveland, Boston, New York, and Philadelphia. Next week it swings south and then crosses to the West Coast.

By the time the jaunt is over, Budd hopes to have sold railroads on the RDC's biggest feature: economy opera-

tion on branch line and commuter service.

One trouble with most railroads, says Fitzwilliam Sargent, vice-president of Budd's railway division, is that on short-haul commuter runs they use long trains and too few of them. Long, heavy trains mean slow schedules, higher operating costs. Too few trains mean inadequate service which turns customers back to their automobiles.

So Budd designed its RDC to lick both troubles at one clip. It stressed light weight and high power for quick starts and stops, aimed at maximum revenue-producing space. Since each unit has its own power plant, one car is a "train" by itself, or several can be joined.

For power, the RDC uses two General Motors diesel engines totaling 550 hp. These are slung under the floor of the car, and tipped 20 deg. from the horizontal to keep the center of gravity low. Hydraulic torque-converters, on the same principle as Buick and Packard cars, transmit engine power to the drive-wheels. Budd engineers figure that the light, compact torque-converters save about 12,000 lb. over the standard engine-to-generator-to-electric traction motor setup. This and other weight economies bring the RDC's ready-to-run weight down to about 56 tons. The average rail coach weighs 58 tons to 68 tons.

In spite of the fact that the RDC is a standard 85-ft. car, space-saving design has brought the seating capacity up to 90 passengers, with plenty of room to cross your legs between seats. This still leaves room in the car for two control

cabs and two lavatories. The "blister" at the top center of the car is not an observation dome, but a housing for the engines, radiators and exhaust ports. Putting these on the top of the car frees more room inside for seats.

Budd places operating costs of the RDC at 56¢ a mile with a two-man crew; with a three-man crew, at 64¢ a mile; and in a five-car train, at 41¢ a mile per car. This compares with an operating cost of about \$1.80 a mile for a steam locomotive pulling two cars.

Maintenance costs are correspondingly low. Because the two diesels operate at about 70% of capacity, except during starts, general wear and tear is slight. Budd's engineers figure that the engine can run for 4,000 hours between major overhauls.

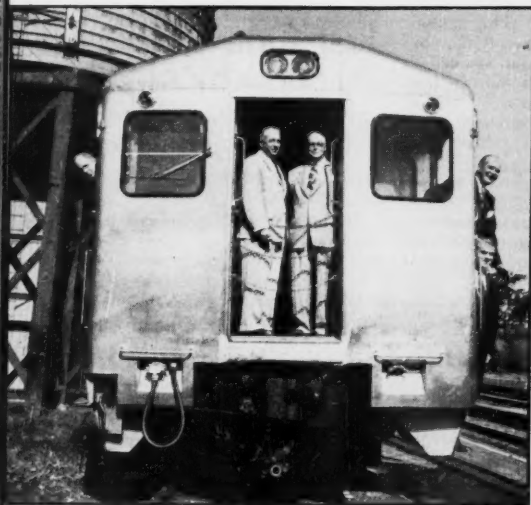
Most important, of course, is the initial cost of the car. Budd has marked the price tag at \$128,750. The total cost of a train of six RDC's then would be \$772,500. But the total cost of a normal six-car train, plus locomotive, would be about \$850,000.

Main reason for the saving, says Budd, is standardized production. Each unit comes complete with air conditioning, lighting, etc. But it comes as is—no custom building, no special paint or decorating jobs.

So far, no railroads have signed up for the new car. But Budd is confident it has a winning combination. It has 16 of the RDC's in production at Philadelphia. Seven are all-passenger cars, and three are combination passenger-and-baggage cars.



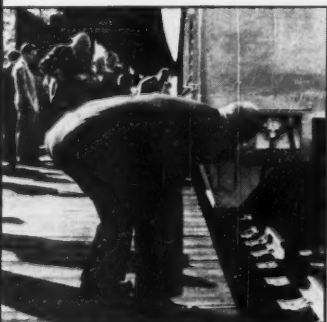
**ENGINEER** for the tour is Budd-technician, Griscon Bettie, Jr. Bettie nursed the car from drawing board to sales line.



**CLEAN DESIGN** should be welcome change for commuters. Budd team on test trip peer from car's end.



**QUICK CHANGE:** Using special dolly, diesel engines can be pulled and replaced in half an hour.



**"CUSTOMER,"** a railroad official, inspects coupling and control connections. Budd car can run alone or coupled with others.



**"MAGIC BOX"** gets close scrutiny by railroad engineers on trial trips. It tells engine r.p.m.'s, cylinder and exhaust temperatures.



**WATCH IN HAND,** railroad official times car on tough, 14-stop run. Budd car bettered the scheduled time by 7 min.



**CROUCHING** engineer from the New York, Susquehanna & Western R.R. looks over the lightweight trucks and special disc brakes of the Budd Car. In tests, brakes stopped RDC going 85 m.p.h. in 2,330 ft.



**INTERIOR** of the new coach is spacious, air-conditioned, easy on the eyes. During trial runs, railroad men gave it a thorough going-over, making sure windows open easily, testing the seats.

# Donora Aftermath

**Public Health Service's study of the town's lethal smog doesn't name the killer. But it will have widespread effect.**

Civic officials got a new weapon this week against industrial air pollution. It's "Air Pollution in Donora, Pa.," the Public Health Service's massive 173-page study of the smog disaster that took 20 lives in the Pennsylvania industrial town last October (BW—Nov. 20 '48, p. 28).

The report does not pin down the killer. In general, it leaves the problem where it started: namely, that there was an intense, prolonged smog composed of carbon and chemical compounds in the air—and that a lot of people got sick and some died.

• **Action**—But it achieves something else that will perhaps prove more significant in the long run than finding Donora's particular culprit. Federal Security Administrator Oscar R. Ewing puts it this way: The study "has proven—for the first time—that air pollution in an industrial community can actually cause serious disabling diseases."

Surgeon General Leonard A. Scheele's foreword says that, "This study is the opening move in what may develop into a major field of operation in improving the nation's health." And judging from the action already touched off by the publication of the report, there's good reason for taking that statement at face value, for:

**Federal Security Administrator Ewing** announced at his press conference last week that his agency was asking Congress for a \$250,000 appropriation to carry on further studies of smog and air pollution.

**Congressman Herman P. Eberharter**, Pittsburgh Democrat, immediately introduced a bill to provide \$750,000 for this purpose.

**Surgeon General Scheele** of Public Health Service urged continuing Donora-type studies in a number of test cities in various sections of the country. Scheele reported 15 cities had already asked the agency for help in making air-pollution studies.

**Safety and health director Frank Burke**, of C.I.O.'s United Steelworkers of America, says that the union is using the report to get action immediately from Donora, and other cities, to regulate air pollution.

• **Recommendations**—There's no doubt about what produced the smog. First, there was—and has to be—a stable blanket of warm air over the town, which

lies in saucer-like terrain. This unmoving layer of warm air prevents the normal movement of gases and smoke out of the saucer, and holds the contaminants close to the ground. Neither temperature nor humidity seemed to have any relation to the concentration of contamination.

The government's recommendations boil down to:

(1) Reduce the contaminating discharge from all industrial sources—and also domestic coal stoves, steam locomotives, and steamboats;

(2) Establish a warning system to alert the community when there's any weather pattern that might result in a duplication of the conditions of October, 1948.

• **Wider Implications**—PHS emphasizes that its six-month study spotlights the lack of information on the long-range effects of living in heavy-industry cities where air pollution is a year-in, year-out phenomenon.

The process and heavy industries in other cities are a target, too. For instance, PHS used Pittsburgh as a "control" city to cross-check against the findings in Donora.

They found that the death rate per 1,000 in Pittsburgh is actually higher than that of Donora. The seasonal trend of deaths in Donora follows the trend for Pittsburgh and the entire U.S. Deaths from pneumonia and influenza, respiratory diseases that might be complicated by air pollution, were actually higher in Pittsburgh than in Donora.

• **Other Conclusions**—Here are some other conclusions PHS experts reached:

Based on interviews with one-third of Donora's total population of about 14,000, some 42% were affected; 10% were severely affected. Pre-existing disease of the heart and lungs was the single significant factor among those who died, although four cases revealed no previous history of disease.

The zinc smelters (of the American Steel & Wire Co.) are major contributors to pollution, particularly particles and carbon monoxide. The zinc plant's waste-heat boiler stacks and its sintering operation are major contributors of particles and sulphur dioxide. The acid plant is the main source of discharge of oxides of nitrogen. The zinc-ore roasters, Waczi plant, zinc-dross and cadmium plants were not found to be significant offenders.

The PHS report tended to throw cold water on the previous theories about a chemical compound being the real killer. It "appears doubtful," it says, that sulphur trioxide—the first suspect—"reached levels capable of producing" the lethal dose. And it found merely "slight" possibility that fluoride, the second suspect (BW—Dec. 4'48, p. 28), could have done it.

# Just One Strip

**CAA will O.K. only single-runway airports, except where traffic load is great. Endorses cross-wind landing gear.**

From now on, the Civil Aeronautics Administration is putting its chips on the single-strip airport. For its money, the multiple-direction runway is out; except for special cases, it won't approve the use of federal-aid funds for this kind of construction.

The new CAA policy, out last week, means just this: CAA is going all-out for the cross-wind landing gear.

• **The Rules**—Here's what the new regulation boils down to:

(1) CAA will no longer approve more than one runway or strip for small Class I airports;

(2) Even more important, it will approve additional runways for other classes of airports only to handle traffic volume. And these added runways must not intersect with any existing runway; they must be either parallel or converging.

• **Divided**—CAA's faith in cross-wind landing gear wasn't always so strong. Only last month, its own Airport Advisory Committee—made up mainly of airport managers—recommended continued construction of multiple-directional runways at airports—until the casted type of gear has proved its practical worth. Within CAA itself, opinion is divided; some members of the staff strongly believe that the time hasn't come for cutting off multiple-direction runways.

• **Development**—CAA put \$150,000 into the development of cross-wind landing gear. Swivel-type equipment was built and tested on five types of planes. Right now, the landing gear is manufactured by only one company, Goodyear Aircraft Corp., but the field is wide open for other companies.

• **More Parts**—The new policy, for one thing, should permit wider distribution of airport funds. Single runways naturally cost a lot less than multiple strips. That means federal funds will go farther; and more towns can share in the pot. Further, the new policy should mean more airports near urban areas, since less land is needed for single-strip fields.

For the time being, though, the policy won't make much difference in the volume of airport construction. Up to Oct. 7, CAA had approved grants for nearly \$90-million to 963 projects. But the administration still has a big backlog of applications to clean up before it goes on to new requests.

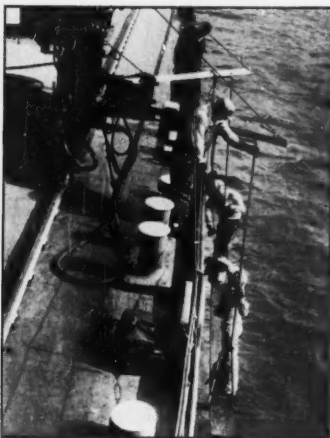




**AT EVERY DOWN-LAKE PORT** Great Lakes ore boats are tied up, unable to unload their cargoes at the docks of the struck steel companies. Crews not laid off fiddle with . . .



**ROUTINE MAINTENANCE** in the engine room, like this bearing overhaul, or . . .



**CREW CHORES**, like painting. Shipyards will do overhaul if cargoes can be unloaded.

## Spring Ore Shortage Threatens

Last week, at the head of the Great Lakes, an ore boat dogged her hatches over a load of iron ore and headed down lake. And that was the end. The steel strike has stopped the Great Lakes haul completely. At every down-lake port boats are tied up, with half a million tons of cargo in their holds.

Steel companies would like to keep stockpiling ore, but their loading docks are manned by steelworkers who walked off their jobs along with the hot-mill rollers and open-hearth heaters. Commercial and railroad docks can handle a mere trickle, will do well to unload the ore now in bottoms.

Today ships are taking turns at the commercial docks. U. S. Steel has hired

extra storage at Conneaut, Ohio. The Erie Ry. is moving ore by rail from Cleveland to storage at Bedford—at extra cost of 10¢ a ton. Even so, all this can mean trouble for the steel mills next spring. So far this season only about 68-million tons of ore have been brought down the lakes. Last year, total consumption came to 88-million. Consumption this year, since March, has been running about 15% under last year's rate, but backlogged demand when the steel strike ends may well run up consumption. Stocks now on hand are about equal to stocks when navigation ended last Dec. 1. A high level of operation could run them dangerously low by mid-April.

## Tabloid Outlook

Los Angeles Mirror, on first birthday, hopes to beat black in year. But it had to change its formula to do it.

When a new daily newspaper says, "We expect to be in the black sometime next year," that's optimism. It has to be good to take the competition these days.

• **One Year Old**—Yet the Los Angeles Mirror aims to do just that. Last week the big new tabloid observed its first anniversary with lusty predictions that it will be on the plus side of the ledger in the next 12 months.

The new daily, under editor and publisher Virgil Pinkley, was launched in a field of intense rivalry. Within 35 miles of its gleaming marble building, there are 29 other afternoon papers, with a total circulation of 1.1-million.

• **Something New**—The Mirror bears no resemblance to its big sister, the Los Angeles Times—the largest morning daily west of Chicago. From the start the Mirror was heralded as "a new kind of newspaper." It looked it. Its front page was printed horizontally for better newstand display. It was heavy with global think-pieces, short on spot news. The women's section was way up front on page four.

The Mirror guaranteed an average of 100,000 circulation for its first 10 days, and made it. But within six weeks, sales were down to 71,447.

• **Quick Changes**—Some fast changes were called for.

Philip Chandler, vice-president of Times-Mirror Co., went in as general manager. The horizontal front page was junked, the women's section was shoved back, and the staff bore down on local news—spiced with the time-tried tabloid menu of murder and sex.

• **Results**—Circulation picked up. Last week the paper was offering advertising contracts based on a minimum of 175,000 average daily circulation during the next six months, although the press run is slightly below that figure.

Advertising rates were boosted 35% to 40%. The Mirror's open-display rate of \$3.50 an inch—by far the lowest in town—jumped to \$4.90. So far, the price per copy is still 5¢, though the other papers charge 7¢.

• **Stock Slips**—Before the Mirror was born, Times-Mirror Co. stock, with a par value of \$1,000, was selling at nearly \$2,000 a share.

Today, the stock runs around \$900 to \$950 a share. But this reflects, in part, the company's \$18-million expansion program (including the \$7-million-plus Mirror building).



WOMEN FLOCK to New Orleans' new Sazerac Bar, where they are admitted to help . . .

## Sazerac Cocktail Drive

New owners of secret formula plan to sell New Orleans' famous cocktail all over U. S.—in franchised bars and in bottles.

For years the Sazerac cocktail has been as closely identified with New Orleans as a certain type of jazz music. But there has been this big difference:

Genuine New Orleans jazz has spread all over the world. But the only place you could buy a genuine Sazerac (registered trademark) was at the Sazerac Bar at the corner of Carondelet and Gravier Sts. The "Sazeracs" sold elsewhere were phony.

• **End of an Era**—This week the sheltered life of the Sazerac drew to a close. True, the formula will stay a secret; but from now on, its new owners hope, the drink will spread through the land like New Orleans jazz.

Two big steps in this direction have already been taken. First of all, the old Sazerac Bar has been boarded up. A new one—a swank modern affair—has been opened by the Roosevelt Hotel under a franchise from the owners of the drink. Incidentally, women are admitted to the Roosevelt bar. The now defunct Sazerac Bar was a male sanctuary—females were admitted to its sacred precincts only on Mardi Gras.

• **Bigger Plans**—All this is just the first change planned by the new Sazerac Co., Inc. The company heads—Stephen Goldring, president, and Malcolm Weldenberg, vice-president—are both old hands in the liquor business; together they ran the American Wine Co. and promoted Cook champagnes. A year ago they bought the Sazerac formula and all rights.

They did this because they had broader goals than merely exploiting the New Orleans market. So before the end of November, franchised Sazerac bars will probably be in operation in Washington, D. C., and Miami, Fla. San Francisco will have one by 1950. The idea is to spot one in every major city eventually.

• **Bottled Sazeracs**—Right behind all this will come a more thorough attack on the national market: The company is planning to sell bottled Sazerac cocktails at liquor stores everywhere.

The bottled drink is intended to be the real money maker. "The franchised bars," Goldring says, "will publicize the drink. But we are basically after bottle sales in package stores."

• **Secret Formula**—All this build-up is based on the idea that the genuine Sazerac can't be imitated, although recipes appear in nearly every cocktail book. One of them:

"Put  $\frac{1}{4}$  teaspoon of absinthe substitute [real absinthe is illegal; it contains the poison thujone] into an Old Fashioned glass and revolve until the glass is entirely coated. Then add one lump of sugar, two dashes of bitters, enough water to cover the sugar, and muddle well. Put in two cubes of ice, two oz. of rye or Bourbon. Stir very well. Add twist of lemon peel."

This is pretty close. But like the atomic bomb, it isn't the ingredients of a Sazerac which make the difference; it's knowing how to mix them. (The

results, incidentally, are thought by some to be similar, for the drink is about 70 proof.)

• **"Coquetier"**—Some say that the Sazerac is one of the world's oldest cocktails. It traces back in part to 1793, when refugees from San Domingo's slave uprising fled to New Orleans. Among them was an apothecary named Antoine Peychaud, who had the recipe for Peychaud's bitters. The Creoles began drinking these bitters mixed with brandy in a double egg cup that the French called a "coquetier." New Orleanians claim this to be the origin of the word "cocktail."

The Sazerac, as it is known today, stemmed from this drink and was first made around 1850 at the Handy Bar on the Rue Royale. From Thomas H. Handy, its inventor, the formula descended to his son-in-law, William McQuoid, who sold it in 1906 to U. Koen & Co., tobacco distributors. Last year the formula and rights went to the new Sazerac Co., Inc.

• **Money From Secrets**—The precedents for Sazerac Co. turning its secret formula into a liquid gold mine are pretty good. Many another owner of a secret formula has cleaned up. For example: Angostura Bitters (U. S. agent: Angostura-Wupperman Corp.). Only three living people know the secret of its brewing.

Another highly successful secret is that of the Coca-Cola Co. Here again, only three people know the formula—and they keep it in their heads. These men never take the same chances at the same time, such as traveling together by plane. If they all should be killed at once, another person would be appointed to go to a certain bank, whose location is a top company secret. There he would open the vault and learn by heart the only written copy of the formula. Then the vault would be locked again until his death.

## WITHHOLDINGS MERGER

As expected (BW—Aug. 13 '49, p15), the collection of withholding taxes and old-age insurance payments will be merged.

The Internal Revenue Bureau says the merger will take place on Jan. 1. And the idea is to save the government about \$1-million, plus "effect substantial savings to employers generally."

The regulations themselves will appear later this month.

Currently employers use Form W-1 to report income taxes withheld from wages. Form SS-1A is used to report insurance contributions. These two will be combined into a new Form 941. Also, hereafter payments on insurance may be deposited with Federal Reserve banks monthly, then turned over to the government quarterly (this already applies to withheld income taxes).





## *Clear Track Ahead—for Sinclair!*

The semaphore set in the upright position is the signal for a clear track ahead! It is used here to symbolize the confidence of American railroads in Sinclair lubricants.

More than 125 railroads know from experience that Sinclair lubricants *always* measure up to the exacting requirements of railroad operation. That's why Sinclair is—and has been

for many years—one of the nation's foremost suppliers of lubricants for railroad rolling stock.

The railroad industry's wide acceptance of our products is another reason why Sinclair is a "Great Name in Oil."

**SINCLAIR—**

*A Great Name in Oil*

**SINCLAIR OIL**  
CORPORATION

630 Fifth Avenue • New York 20, N.Y.



**KOPPERS NEW  
CAMERA  
BLACK  
POLYSTYRENE**

**—solves four important problems**

A manufacturer of cameras and photographic equipment was searching for one plastic that must have (1) complete opacity, (2) photochemical inertness, (3) higher heat distortion resistance than general-purpose polystyrene and (4) the cost must be low.

● Koppers Company went to work on these problems and developed a special polystyrene—**CAMERA BLACK**—which had all the desired characteristics.

*It had complete opacity.* Tested with supersensitive film in comparison with a 1/4-inch steel plate, the Koppers Camera Black showed equal opacity. The film was covered with a polystyrene sheet 1/4" thick, then half the film was covered with the steel plate and the entire covering exposed to a 500 watt lamp for 15 minutes. The developed film showed no difference between the two halves.

*It had photochemical inertness.* Camera Black Polystyrene showed no chemical reaction to the most sensitive film and to the chemicals used in the photographic processes.

*It had high resistance to heat distortion.* Koppers new Polystyrene has a minimum heat distortion temperature of 200°F. Products made from it do not distort under the heat of window displays or from being washed in scalding water.

*The cost was low.* Koppers Camera Black Opaque Polystyrene sells at the same low price of regular polystyrene in special colors. There is no added premium.

#### WHAT IS YOUR PROBLEM IN PLASTICS?

Koppers maintains a staff of chemists, molding and material engineers and technical specialists who are ready to help you at any time. If you have a special problem, write and tell us about it.

Koppers Perfected Plastics include many formulations of Polystyrene, Cellulose Acetate and Ethyl Cellulose. These are available in transparent, translucent and opaque and in any desired color. Write for complete information. ◆

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Pittsburgh 19, Pa.  
Please send me data on Koppers Camera  
Black Polystyrene.

Name.....

Position.....

Company.....

Address.....

## BUSINESS BRIEFS

Continental Oil has gotten out of the eastern market to concentrate on the West. It sold its service stations, bulk plants, and terminals in the East (worth about \$7.5-million) to Cities Service last week.

Railroads are wooing back some of the business they lost to trucks with a cut in freight rates on carbon black shipped from Texas to Akron rubber mills. They now charge 1 1/2¢ less than truckers—who will probably cut accordingly.

Overseas aircoach rates (25% under regular fare) will be put into effect Dec. 1 on Pan American's Hawaii-West Coast run if CAA approves. Pan Am is already offering similar tourist fares on its Latin American flights (BW—Feb. 5 '49, p28).

Currency devaluation in Europe is behind the closing of North American Phillips' Dobbs Ferry (N. Y.) plant. The Netherlands-owned company can now import TV tubes and other equipment at lower prices from its European factories.

Another RFC loan (for \$15-million this time) has been requested by Kaiser-Frazer Corp. Washington feels sure it will be granted. It's supposed to be to keep the company's distribution system alive until the new, cheaper K-F cars appear.

More help to hospitals: Congress has approved a bill that doubles the government's present \$75-million annual aid to hospitals and extends the program another four years. And it increases the maximum federal contribution from one-third to two-thirds of construction costs.

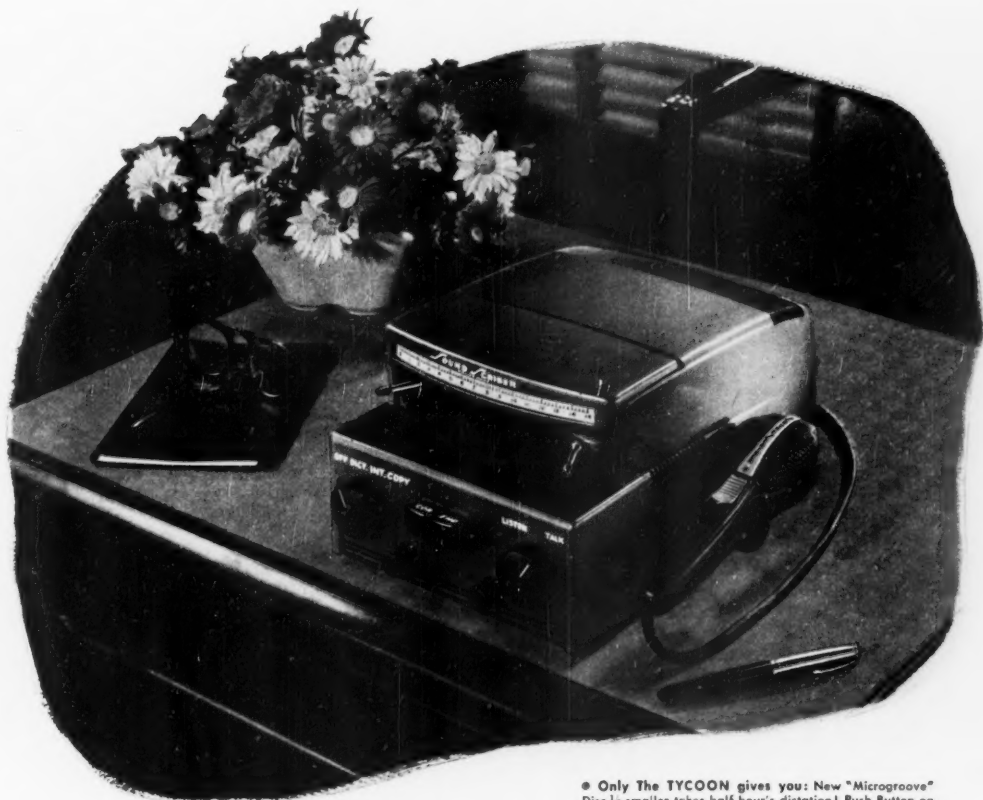
Total number of autos in the world outside the U.S. now comes to 17.3-million—up about 13-million since last year. With U.S. cars thrown in, the world grand total is now about 58.3-million, according to figures compiled by The American Automobile, a McGraw-Hill publication.

Steel shortages due to the strike have affected: General Motors, which will put some of its plants on a four-day week after next week; Willys-Overland, which has had to suspend final assembly operations; Ford, which has announced it will close all operations except final assembly and its own steelmaking on Nov. 11, and end final assembly by the 15th.

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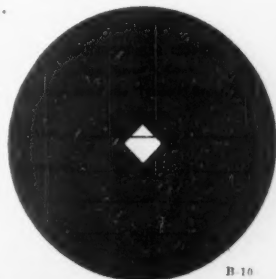
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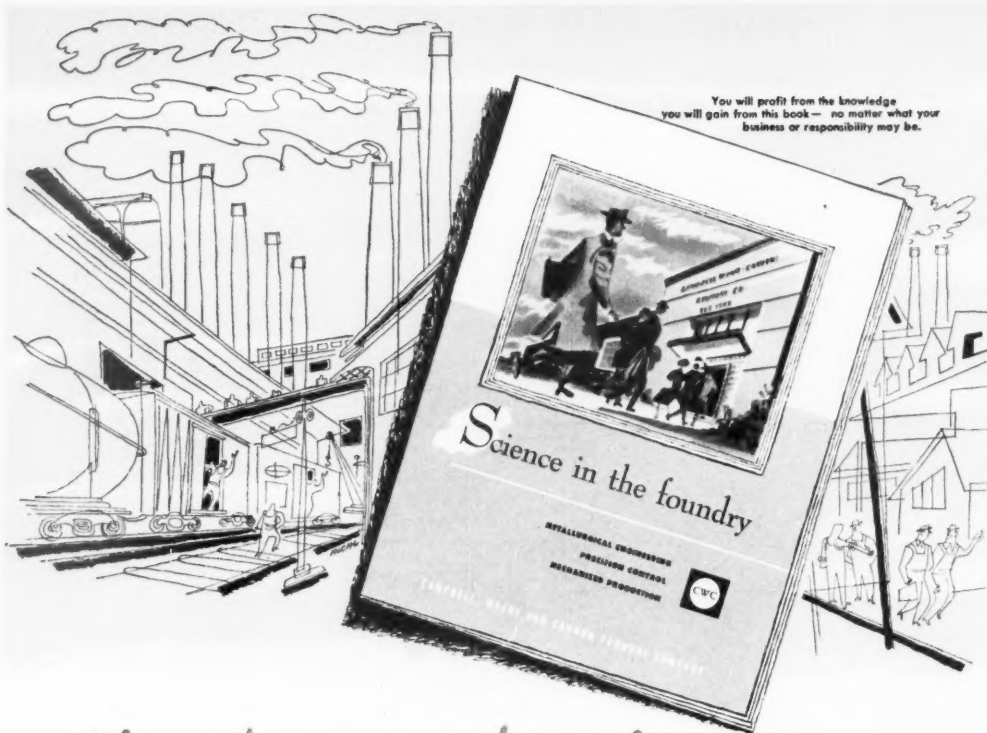
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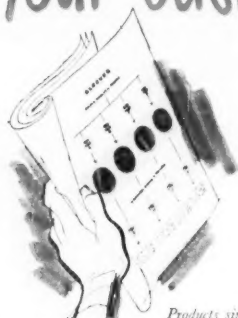


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# TAXES

## Sale-Lease Deals Under Fire

Government opens drive against tax-saving device of selling real estate and then leasing it back. First case, against Century Electric Co., of St. Louis, involves capital-loss angle only.

A tax-saving device that has been gaining favor among businessmen has now come under attack by the federal government. Last week, in St. Louis, a federal court held hearings on an appeal by the Century Electric Co. from a Bureau of Internal Revenue ruling that Century owes \$340,570 in unpaid excess-profits taxes for 1943.

• **Sale-Lease Deals**—The device under attack is the sale-and-lease-back of real estate (BW—Apr. 17 '48, p. 96). It works this way: A business (usually a manufacturer or retailer) sells a piece of real estate to a big institutional investor—an insurance company, for instance, or a college. Along with the sale contract, the two sign a lease agreement. Under it, the business retains occupancy of the property, and pays a rental that assures the new owner quick amortiza-

tion of his investment plus a sizable profit.

The business that makes the sale saves taxes in two ways: (1) It usually sells the property at less than book value, and thereby realizes a capital loss; and even more important, (2) the full annual payments under the lease are deductible as rent.

• **Foundry Sold to College**—The Century Electric case centers around the company's sale, in 1943, of real estate at a foundry it owns in St. Louis. The buyer was William Jewell College, of Liberty, Mo., which is allied with the Baptist churches of the state. Edwin S. Pillsbury, president of Century Electric, has been a trustee of William Jewell for years.

The college paid \$150,000 for the foundry property. Century was given a 25-to-95-year lease. The book value of the property at the time of sale was \$531,710, and the company then claimed a capital loss, for tax purposes, of \$381,710.

Now the Bureau of Internal Revenue has ruled that this was not a legal deduction, because the sale was not bona fide. So, it says, Century owes it \$340,570 in unpaid excess-profits taxes. Century has paid up, but the money is being held in escrow by the St. Louis Collector of Internal Revenue pending the outcome of Century's suit to recover it.

• **The Government's Position**—Here's the way the government sees the situation, according to Gene Reardon of Kansas City, the government attorney in charge of the case:

"Stripped of all its niceties, the arrangement presents this picture. First off, there is no interruption in possession and operation of the plant. In addition to Century Electric receiving an enormous tax advantage, it receives extra cash. The company is relieved from the payment of local property taxes. And, for federal tax purposes, it is accelerating its [depreciation] of the foundry building and improvements, and projecting its land cost forward.

"The college, on the other hand, receives fixed, net, graduated, tax-free rental payments over a long period of time, which will return to the college its \$150,000 outlay with interest of



### New SEC Member

Edward T. McCormick is one of two new members of the SEC named last week by President Truman. He succeeds Edmond M. Hanrahan, board chairman, who resigned to return to private law practice. McCormick will fill out the rest of Hanrahan's term, which expires in 1952. Other new SEC member is Donald C. Cook, who serves until 1954. Both men have previously been on the staff of SEC.



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5% in less than 10 years. The college will receive a substantial amount from the petitioner [Century Electric] in the form of rentals greatly in excess of the \$150,000 advanced by it. The so-called rentals to be paid by Century to the college in excess of a fair return on the \$150,000, it is believed, represent periodic gifts to the college."

• **Important Case?**—It is hard to say, at this point, whether or not this particular case will have any far-reaching effect on sale-lease deals in general. The actual tax involved is based solely on the capital loss incurred in the original sale; the bureau has not gone after the much more important factor of year-to-year deductions in income.

Thus, if the court confines itself to the single issue of the capital loss, the real sale-lease fight is still ahead—for it is practically certain that, having opened the subject, the bureau will not let the matter drop with this case.

But if the court gets philosophical, and throws in a couple of meaty obiter dicta along the lines of Reardon's statement, this case could really be important.

## Technicalities

**Congress made only minor changes in tax laws this year. The revisions will ease filing of returns.**

Congress voted a new tax law last week—but the legislation won't have much effect on your business. The law calls for only minor technical changes in the Internal Revenue Code.

• **Reluctant to Tamper**—It has been obvious for some months now that Congress would not tamper with tax rates at this session. The lawmakers were too worried about last spring's business downturn to increase the load on corporations, as the Administration wanted. And they were reluctant to add to the current budget deficit by cutting back excise rates—as businessmen wanted.

But there could be no objection to changes that cost practically nothing, yet still make life pleasanter for the taxpayer. And that's what the new rules boil down to. Here are some of them:

**Farmers' tax estimates.** Hereafter, farmers won't have to make an estimate of a prior year's taxes by Jan. 15 if they file a return by Jan. 31.

**Charitable contributions.** If a corporation keeps its books on an accrual basis, it may now consider a contribution as paid—and deductible—in a given year even if the donation was not actu-

ally paid out for as much as 24 months after the close of the year.

**Employees' trusts.** Hereafter, an employee who is the beneficiary of an employer-financed annuity will not have to pay taxes on the premiums in the years in which the premiums are being paid; he will be able to wait until he collects the annuities, then pay taxes as on other income.

**Import duties.** Travelers who spent a few days abroad used to get a \$100 exemption on foreign purchases if they didn't make the trip again within 31 days; now they will be able to bring in \$200 in goods duty-free. (Travelers can have an additional \$300 in exemptions every six months if they stay abroad for 12 days or more.)

**Military exemptions.** The estates of servicemen who died between Dec. 7, 1941 and Jan. 1, 1947, will be exempt from the "additional estate tax," a steeply graduated estate surtax.

**Foreign tax refunds.** Any taxpayer who gets a refund on taxes paid abroad, and subsequently has to pay the foreign government a tax on the refund, need only pay U.S. taxes on the amount of refund he actually keeps; formerly, he would have paid taxes to the U.S. on the whole refund.



## New Gas Assn. Head

Hugh H. Cuthrell, vice-president of Brooklyn (N.Y.) Union Gas Co., took over the presidency of American Gas Assn. at A.G.A.'s annual convention in Chicago this week. For the past year, Cuthrell has been the association's first vice-president; now he follows Robert W. Hendee, Colorado Springs, Colo., at A.G.A.'s top post. Cuthrell's first job: to tell 5,000 delegates A.G.A.'s plans for a year-long drive to boost gas-appliance sales.

# Small Castings that do BIG JOBS

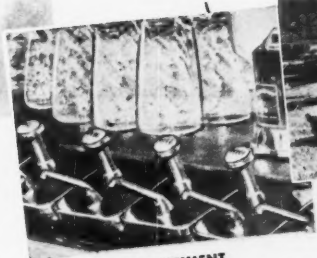
Forward-looking design engineers find that Microcast, for small components, offers many opportunities for product improvement and substantial savings in cost. This is particularly true where resistance to wear or corrosion is desired or where the part is of intricate shape, requiring expensive machining operations under conventional production methods.

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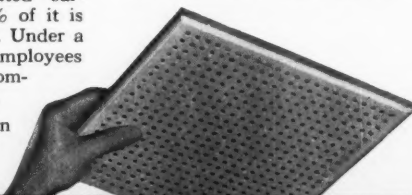
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## REGIONS

### Pension Perils

California businessmen feel state's costly system threatens their earnings. But repeal is unlikely.

California voters will make a decision in a couple of weeks (Nov. 8) that is bound to influence the business climate. They will decide for or against repeal of a pension system they set up a year ago by a margin of 37,000 votes.

• **Effect**—That pension system has already begun to weaken the underpinnings of California's credit structure. And within the next few years it could have a marked effect on the financial health of companies doing business in the state.

The chance to vote for adoption and repeal in successive years is just about par for California, an incubator of pension schemes. California was the breeding ground for EPIC (End Poverty in California), ham 'n' eggs (Thirty Dollars Every Thursday), and the Townsend Plan. Regardless of the outcome next month, a bigger and better pension plan is being polished up for a vote next year.

• **Hostility**—Management men seem fairly unanimous in their opposition to the present system. They don't object to the generosity of the pensions—\$75 a month to the needy aged, \$85 to the blind. Their hostility is aimed at the economic and political roots of the system.

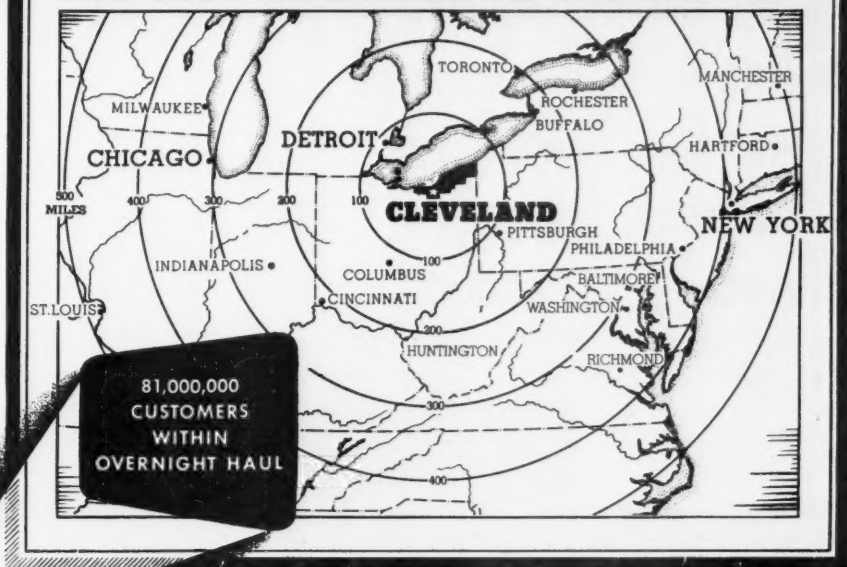
One California business executive told **BUSINESS WEEK** that he toured the money centers a few months ago in behalf of his firm's securities. He spoke before half-a-dozen groups of security analysts. The question uppermost in the analysts' minds, he reported, was California's pension system and its ultimate effect on his company's earning potential.

A financial institution with large holdings in municipal securities has just completed an analysis of the market strength of California municipal bonds. Its report shows a mild flurry of withdrawals just after the new pension became effective.

More to the point, the analysis compares an index yield of a selected group of California municipals with The Bond Buyer's "20 bonds" yield index. In the past 12 months, the spread between the two groups has changed from 0.02% in California's favor to 0.11% the other way.

But despite business' opposition to

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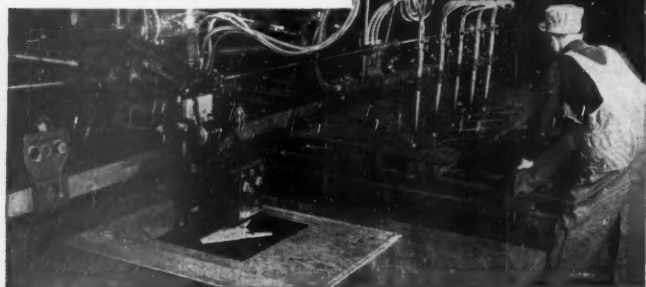


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A. H. Yoch and J. F. Franzen, Airco Technical Representatives, were called in, and recommended machine gas cutting with Airco's new No. 41 Travograph, equipped with Airco's famous "electronic eye" tracing device. Ryerson has since put eleven of these new machines to work in its various warehouses throughout the country.

After installation, Ryerson soon confirmed that this equipment produced more intricate shapes on a production basis than any other type of cutting equipment

— the "eye" following a sketch with a high degree of accuracy. Further, expensive template making was eliminated entirely.

Today, the variety of steel shapes flame cut by Ryerson is almost endless — for example, a few of the parts and pieces include: circles, rings, wrenches, flanges, weldment parts, crankshafts, clamps, housings, cams, machine parts, and die parts... highly profitable business for the "little iron store" that grew into one of the world's largest steel warehousing firms.

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the pension plan, chances of tossing it out seem slim. The reason boils down to this: Santa Claus is hard to beat at the polls.

• **Taxes**—In the present fiscal year, the cost of the new system (\$267-million) is about 48% higher than it would have been under the old one. To meet the higher cost, the legislature has upped the sales tax 20%, personal income tax 20%, and corporation franchise tax 18%.

Still another source of revenue can be tapped if the state can't meet the pension bill with the present levies. It has the power, without further formality, to put a tax on real estate and personal property. The state's fiscal officers may collect up to 25% of the budget in that way.

All that adds up to more bad news for the vice-president in charge of worrying about fixed costs. But the real concern among some business leaders centers around something less tangible than fixed costs. Their worry is that the high level of California pensions and taxes will eventually undermine the standings of their securities in eastern markets.

• **The Plan**—What is the pension system that has caused all the turmoil? The present plan came about through an initiative last fall to amend the constitution. Credit for the draftsmanship, a specimen of rigidity, is accepted by George H. McLain, of Hollywood. McLain, an organizer in the abortive ham 'n' eggs movement of 1939, is head of the so-called Citizens Committee for Old Age Pensions.

McLain's initiative, now Article 25 of the state constitution, left nothing to chance. Among other things, it:

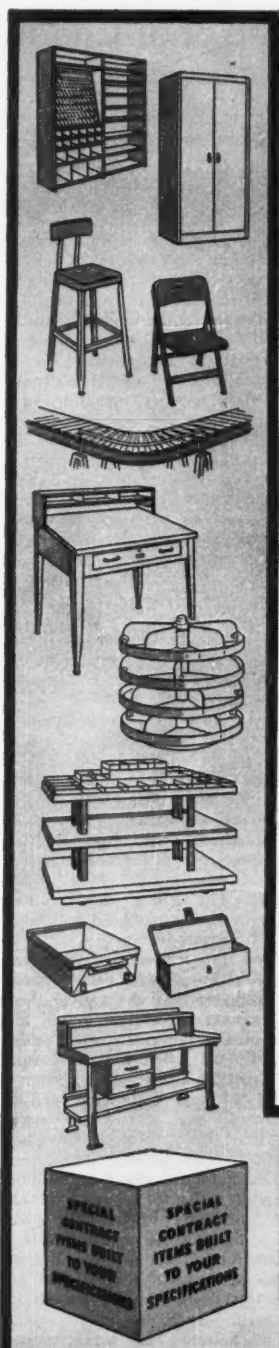
(1) Raised the limit on pensions for the needy aged from \$65 to \$75; for the blind from \$75 to \$85; (2) gave pensions a priority over all other state obligations; (3) relieved relatives of any legal responsibility for support of pensioners; (4) reduced the qualifying age from 65 to 63; (5) transferred administration of pensions from the counties to the Dept. of Social Welfare of the state; and (6) established McLain's associate, Mrs. Myrtle Williams, as director of the department, accountable to nobody.

• **Blank Check**—The McLain initiative virtually gave Mrs. Williams a blank check on the state treasury, in these words:

"The amount required to meet the allowances made by this article shall constitute a lien against all moneys in the state treasury, and the amount required for the payment of payments of the allowances herein required, is hereby appropriated. . . ."

If Mrs. Williams knows how much that is, she isn't saying. And nobody can force her to.





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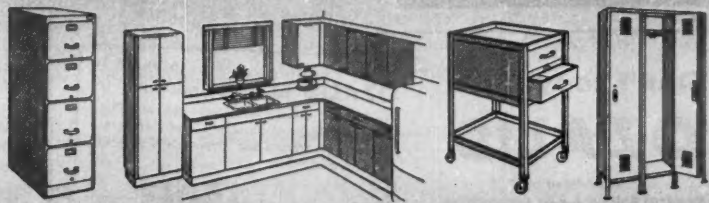
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## One-Shot Charity

Detroit's United Foundation drive combines 141 fund campaigns, frees plants from solicitations for a year.

In Detroit this week business is being asked to support a charity drive to end charity drives for a year.

• **Pioneer**—The campaign is one of the first of its kind ever held in a major city. Staged by the United Foundation Torch Fund, it not only combines the fund drives of 125 agencies of the Community Chest, but also covers those of 16 other agencies operating in the health field.

At the end of the three-week drive, Detroit plants and business places can relax. Formal solicitations—and the embarrassment of saying "no" to apparently worthy causes—will be over for another year. Actually, there will be other charity campaigns—the Red Cross will have one, and there will be seal drives, poppy sales, and a localized Detroit Christmas activity, the Goodfellows. But, under the new plan, formal in-plant solicitations are now confined to the once-a-year United Foundation campaign.

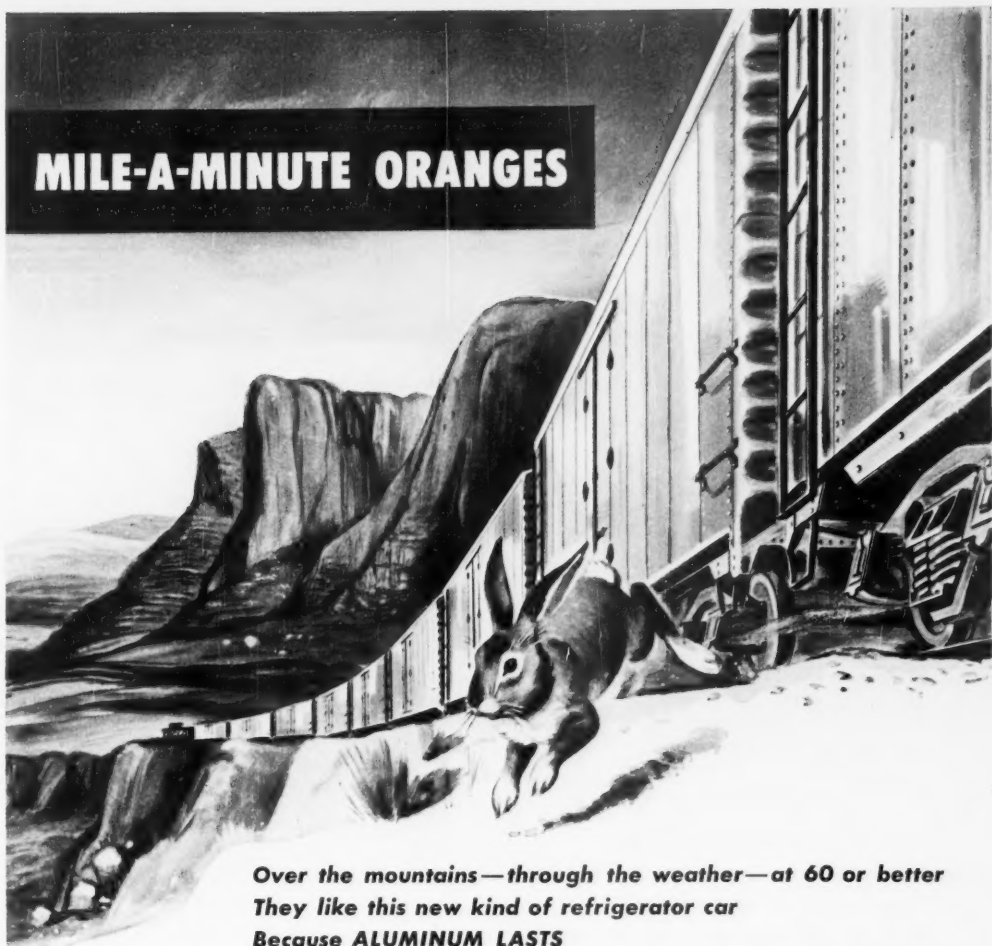
The idea of a consolidated drive was hard to sell. The Red Cross, for one, flatly refused to sign up at first. When the local Detroit organization finally did come in, the national Red Cross threatened suspension. Later, though, they reached a compromise: Red Cross will share in the Torch Fund, but it will also run its own campaign in the spring. The spring drive, however, won't touch the plants; it will be confined to private homes.

• **Good Prospects**—From the size of initial returns, participating agencies should do very well in the drive. Pledges are running larger than for all drives combined in previous years. The foundation's goal is \$8.5-million, compared with \$5,950,000 for the Community Chest last year. If the combined drive reaches its goal, it will be something that most drives, including the Chest's, didn't do last year.

The combined campaign will mean a sizable saving for many of the charities. The budget for the drive is about 6% of the goal, the same as that for the Community Chest last year. But other drives in the health field, now rolled into the Torch Fund, had costs ranging as high as 30%.

• **Time Saved**—The large companies that backed the united drive feel they have succeeded in eliminating separate, time-wasting in-plant solicitations. And that means a lot—there were 35 last year of citywide scope.

## MILE-A-MINUTE ORANGES



**Over the mountains—through the weather—at 60 or better  
They like this new kind of refrigerator car  
Because ALUMINUM LASTS**

"Reefers on the high iron" is railroad lingo for refrigerator cars speeding your fresh fruits and vegetables over the main line. Because they highball, Alcoa Aluminum is ideal for these light weight cars. Means more payload. Less maintenance. And it is coming to mean something else—long service.

Alcoa built that into the metal.

In developing Alcoa Alloys, we learned to build strength into aluminum. We tested those

alloys for fatigue and tensile strength. We proved them lasting, in corrosive industrial atmospheres, salt spray booths, and weather exposure. Then we were ready to say "Alcoa Aluminum lasts!"—and back it up.

That is why, today, so many things are better buys in Alcoa Aluminum.

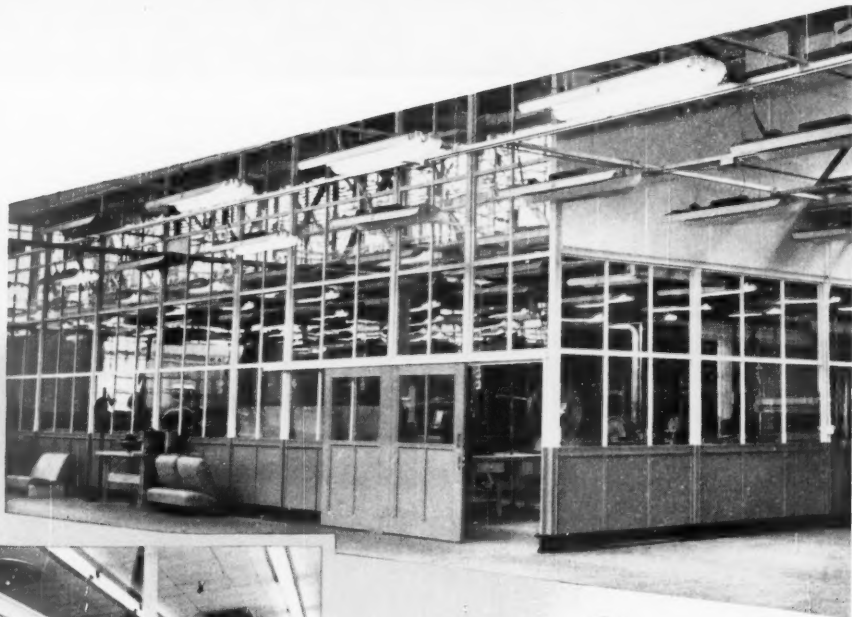
ALUMINUM COMPANY OF AMERICA, 627K  
Gulf Building, Pittsburgh 19, Pennsylvania.  
Sales offices in principal cities.

# ALCOA

**FIRST IN ALUMINUM  
THE METAL THAT LASTS**



# DO YOUR WALLS PRODUCE A PROFIT...



*Hauserman Industrial Type Movable Steel Walls at one of the nation's leading automobile plants.*

OR A *Loss?*

Ordinary walls are a constant expense because they require frequent patching and repainting. They're a total loss when torn down to meet new space requirements.

Hauserman *Movable Steel Walls* are a profitable investment. These solid, rigid walls with their baked-on finishes won't chip, crack, warp or scale. A janitor can perform all the normal maintenance required . . . occasional soap and water washing. And above all, Hauserman Steel Walls can be quickly and easily moved . . . often in a matter of hours . . . without disruption and loss of valuable production time. Once more, all units can be completely re-used again and again.

Want all the facts? Then write or call the Hauserman office or representative nearby, or contact *The E. F. Hauserman Company*, 6731 Grant Avenue, Cleveland 5, Ohio.

## *Specialists in Service—*

We assume undivided responsibility for complete interiors: shop drawings, building measurements and installations. We supply all products, complete with hardware, wiring raceways and accessories. Our experienced erection crews are on call for alterations and additions. Our engineers are always at your service.



# HAUSERMAN

## MOVABLE STEEL INTERIORS

WALLS • WAINSCOT • RAILINGS  
ACOUSTICAL CEILINGS • COMPLETE ACCESSORIES

*For every commercial, industrial and institutional need*

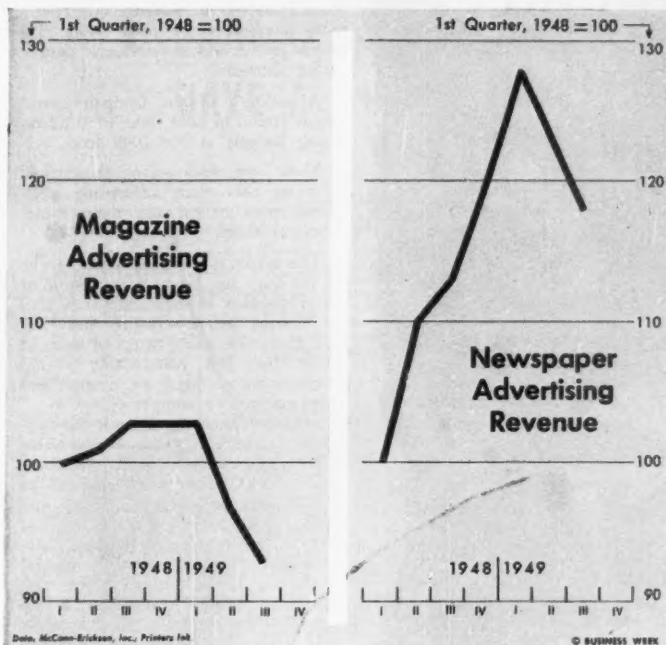
**FREE**

*Catalog to help you plan*

You'll find *Movable Steel Interiors* to meet your exact requirements in Hauserman Catalog 49. Write for it on your business letterhead today.



# MARKETING



Dipping ad revenues (seasonally adjusted by BUSINESS WEEK) don't hurt hopes for a . . .

## Turnaround for Advertising

National expenditures in newspapers and magazines have been dropping off some. But advertising plans for 1950, plus higher level of business activity, point to improvement.

Executives in the advertising business think a turn is coming this month.

For quite a while they have been watching national advertising revenues dip downward (charts, above). Their biggest jolt was the announcement of magazine revenue for September. In that month the magazines had their worst 1949 loss from year-ago levels—a drop of about 15% from September, 1948. That dragged third-quarter national billings down a full 10% below a year ago (early summer losses had been running nearer 5%).

• **Parallel Curve**—Nevertheless, advertising and media men think that the national-revenue dip has hit bottom. From now on, they expect to see expenditures hold their own—or even start to climb again.

One big reason for this optimism: Normally national advertising moves on a curve parallel to general business activity. But it does so only after a lag of

one, two, or three months. For example, the high in general business activity came toward the end of 1948, but the biggest bulge in advertising revenues was in the first quarter of 1949.

The slide in business activity during 1949 hit its low in July. So advertising men aren't startled to find September the lowest month this year in advertising. Similarly, since business activity started to pick up in August, they also count on an advertising upturn this month.

• **Better News**—The admen's confidence isn't based just on theory. They've been hearing better news from their clients for more than a month. And early counts on October linages already suggest just such an upturn. This month may not match October, 1948; but any loss from the year-ago figure will certainly be much less than September's 15%.

Much of the good news admen heard

The Importance of  
**SOLDER**  
to Industry



### IN TELEVISION PRODUCTION

a manufacturer will average up to one million soldering operations each day. Maximum efficiency demands the correct alloy, strand size, core size and type of flux in the solder used. Even a slight deviation from the proper solder would result in substantially increased costs.

### How Many Soldering Operations In Your Product?

The average industrial user of flux-core solder does not have as many soldering operations as a television manufacturer; nevertheless, it may still be a high cost factor in your plant. Call a Kester Technical Engineer today; let him analyze your complete soldering procedure and you will be assured of peak efficiency. There is no obligation, of course.



**KESTER  
SOLDER**

— FILL OUT — MAIL TODAY —

**Kester Solder Company**  
Dept. M, 4201 Wrightwood Av., Chicago 39, Ill.

Please send me the new 28-page technical manual, "SOLDER and Soldering Technique."

Name

Company

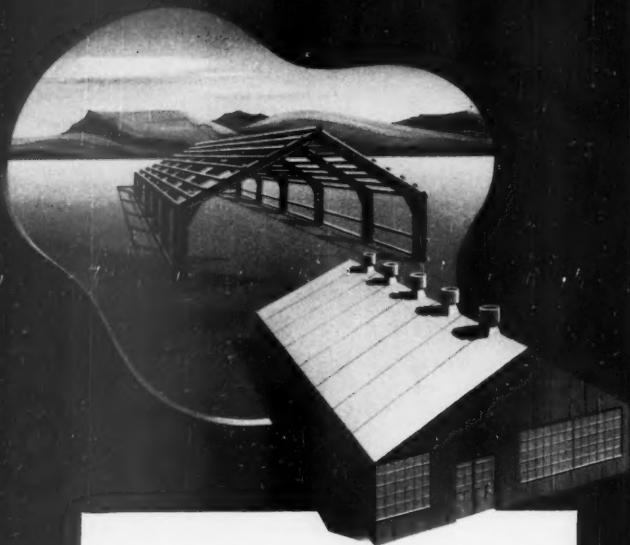
Address

City  Zone  State

**KESTER SOLDER COMPANY**  
4201 Wrightwood Avenue, Chicago 39, Illinois  
Factories also at:  
Newark, New Jersey • Brantford, Canada



# McCloskey buildings tailored to your need and budget



You get true economy both in initial cost and upkeep with McCloskey Rigidsteel Buildings. Yet, they are designed and erected in any size to suit any operation. McCloskey employs a patented rigid frame with no truss work to install and maintain. Result—a better building with more headroom. For information on how you can build quickly with a minimum investment, write or wire McCloskey Company of Pittsburgh, 3401 Liberty Avenue, Pittsburgh 1, Pa.

**McCloskey Company**  
of Pittsburgh

from their clients came in the form of a survey of advertising intentions for 1950, released last week at the 40th annual convention of the Assn. of National Advertisers in New York. Here's what the survey, in which some two-thirds of A.N.A.'s members participated, showed:

A majority of the companies surveyed intend to hold their 1950 advertising budgets at the 1949 level.

More companies among those planning to alter their advertising allotments plan to increase them rather than cut them.

The brightest prospects appear to be in the beer and liquor fields. None of the companies in these categories plan to decrease their advertising. And 77% said they were going to spend more in 1950 than this year. Other similar bright spots are food, oil, finance, and office-equipment companies.

• **Consumer Incomes**—Despite the summer downturn in national advertising dollar volume, total 1949 advertising revenue for all media, as measured by the Printers' Ink indexes, is still running a trifle ahead of last year. That dovetails nicely into the forecasters' advertising theories. For, usually, general advertising tends to move along with consumer incomes. And incomes are up—though very slightly—this year. Last year's over-all advertising index stood at 290 on the basis of 1935-39 equaling 100. That was exactly the same as the gain in consumer income for the period. (This year, however, advertising has moved a bit more sluggishly than national income.)

• **Media**—Taking advertising media type by type, you can see that newspapers, along with magazines, have suffered a downswing from their revenue peak this year.

Nevertheless, cumulative national dollar totals for the year to date in newspapers are still about 15% ahead of 1948, according to the Printers' Ink index. Magazines, on the other hand, are off a couple of percentage points.

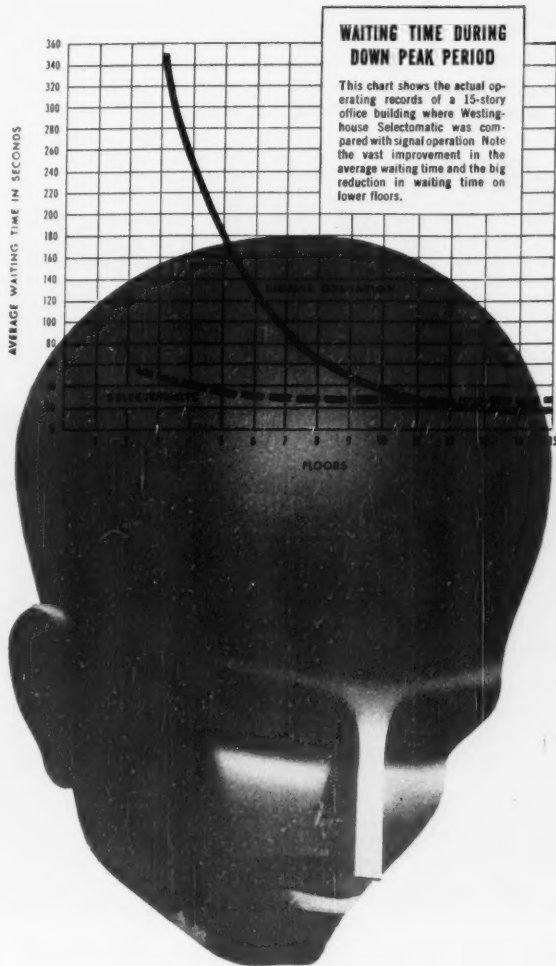
The national outdoor advertising index, on the other hand, has been bumping along just under its last-year figures. It hit its lowest point in July, has turned up slightly since then.

• **Radio and Television**—Radio and television are two other media that ad executives are watching closely. Total radio advertising (network radio plus national spot) just about matched last year's dollar figures during the first half of 1949.

The picture for television isn't quite so rosy as it has been. The period of sharp monthly gains in national dollar volume seemed to come to an end in May this year. August, for example, was the third month in a row that

# Selectomatic Elevators

HAVE A "HEAD" FOR TIME-SAVING FIGURES



Selectomatic's unique "Electrical Brain" takes over, and cures, a building manager's biggest headache—complaints about excessive elevator waiting time.

And it doesn't care whether passenger traffic is mostly incoming (Up Peak) . . . heavily outgoing (Down Peak) . . . or quick-changing from one to the other (Off Peak) . . . You simply set one button for any of these three major traffic problems. From then on, it's hands off. Selectomatic's Electrical Brain does all the necessary thinking and acting.

Actual case histories have proved that the superior service from Selectomatic Elevators has dramatically reduced lower floor waiting time for "down" elevators.

Selectomatic is the exclusive Westinghouse Elevator development that is unequalled by any other brand of Vertical Transportation. Send for Book B-3597—and read its complete, almost incredible story. Westinghouse Electric Corporation, Elevator Division, Dept. A, Jersey City, N. J.

YOU CAN BE SURE...IF IT'S

Westinghouse

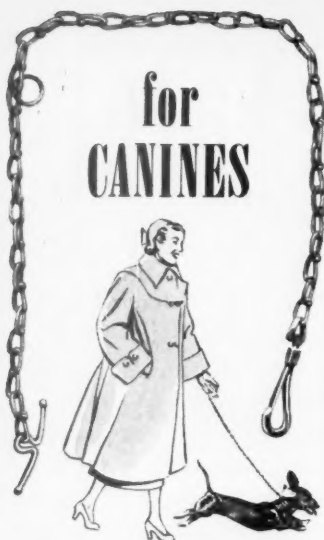
CHECK . . . AND  
YOU'LL SELECT

## Selectomatic Elevators

J-98544

SCIENCE'S GREATEST ACHIEVEMENT IN ELEVATOR TRANSPORTATION

for  
**CANINES**



Whether it's walking your dog or performing the heaviest industrial work, International can supply a superior Campbell chain for the job.

The Campbell line includes chain for every need; industrial, marine, farm and automotive.

And International's facilities are complete in every detail to build the chain to do your job.

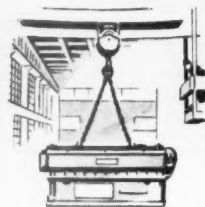
**CAMPBELL CHAIN Company**

York, Penna.

(International  
Chain & Mfg. Co.)



or  
**CRANES**



TV time revenues went down—reaching, incidentally, a point below last January's figure. Undoubtedly, this dip will be washed out in the long-term upswing of the new medium; the appearance of a seasonal trend in TV advertising so early, however, has taken a little of the glow out of the immediate future for TV broadcasters.

## Retailer Co-ops

**Tougher competition is driving appliance dealers into pooled buying and servicing. Queens group has private brand.**

Co-operative groups—mainly to get the advantage of mass buying—have long been the dream of the small independent retailer. Trouble is that the individual members usually start pulling and hauling, thus bog the retailer-owned co-operative down.

Now the buyers' market has given a new fillip to retailer cooperation in New York and Philadelphia. In both places, it's the highly competitive ap-

pliance business that has made the move. And in two cases, at least, the plan seems to be working without internal bickering.

• **Q.E.A.M.A.'s Brand**—In New York City's borough of Queens, the cooperation has reached a new height: The Queens Electrical Appliance Merchants Assn., through its subsidiary—Q.E.A.M.A. Services—capitalized at \$1-million, has just brought out its own private-brand line of television sets.

In a trade where cut prices are the rule, Q.E.A.M.A. members figure that they have won a competitive advantage over other appliance retailers. Their sets will sell under the general market price, ranging from \$139 for a 10-in. table model to \$349 for a 16-in. combination console. The sets are being made for Q.E.A.M.A. by Electromatic Mfg. Corp. and Vidcraft Television Corp., both of New York.

Q.E.A.M.A. was organized in 1937. It gained status as a \$1-million corporation about three months ago. Membership consists of 125 dealers, who support the association through a combination of dues and stock ownership.

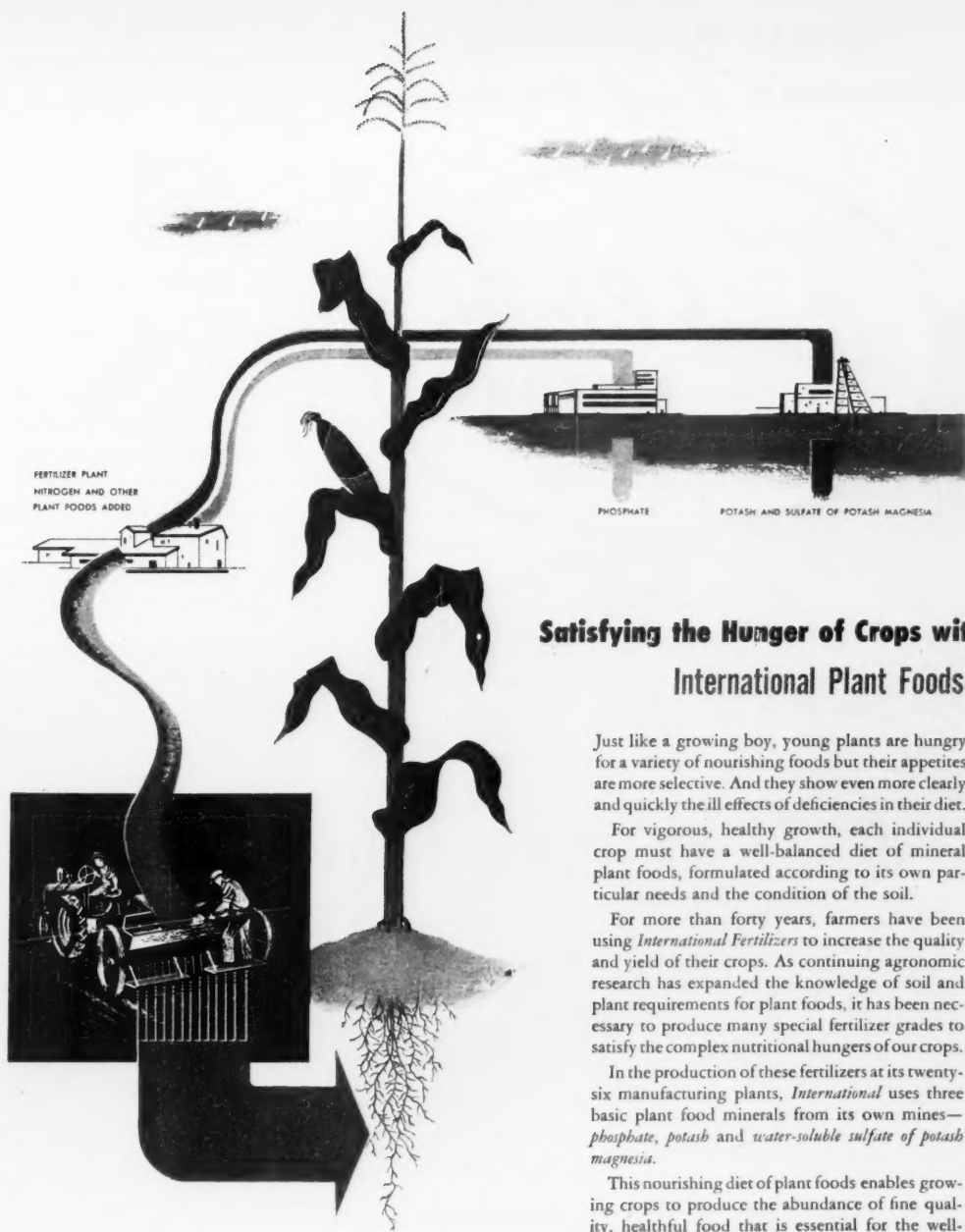
• **Buying, Servicing**—Having its own private brand is Q.E.A.M.A.'s latest



## Automatic Interviewer Aids Consumer Research

The tone in which an interviewer asks a survey question often influences the answer he gets. This surveyor, though, can't show that particular bias. It is a machine, called the Phantom Interviewer, that automatically poses a question and records an answer. The questions, along with several possible answers, show up through a viewing window in the machine. The person being questioned operates a lever to move an

arrow to his answer; pressure on a button on the top of the lever then records his reply on tape, and brings up the next question. The machine was invented by David Galloway (left), Berkeley (Calif.) psychologist. Jack Kellogg (right), president of the research firm of Kellogg & Associates, tried out the machine in San Francisco's Hotel Sir Francis Drake. He surveyed guests' opinions about hotel accommodations.



## Satisfying the Hunger of Crops with International Plant Foods

Just like a growing boy, young plants are hungry for a variety of nourishing foods but their appetites are more selective. And they show even more clearly and quickly the ill effects of deficiencies in their diet.

For vigorous, healthy growth, each individual crop must have a well-balanced diet of mineral plant foods, formulated according to its own particular needs and the condition of the soil.

For more than forty years, farmers have been using *International Fertilizers* to increase the quality and yield of their crops. As continuing agronomic research has expanded the knowledge of soil and plant requirements for plant foods, it has been necessary to produce many special fertilizer grades to satisfy the complex nutritional hungers of our crops.

In the production of these fertilizers at its twenty-six manufacturing plants, *International* uses three basic plant food minerals from its own mines—phosphate, potash and water-soluble sulfate of potash magnesia.

This nourishing diet of plant foods enables growing crops to produce the abundance of fine quality, healthful food that is essential for the well-being of all our people.

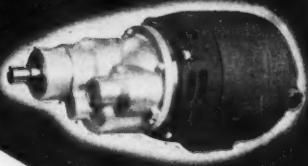
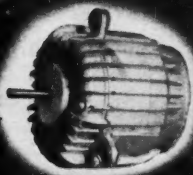


**INTERNATIONAL MINERALS & CHEMICAL CORPORATION**

GENERAL OFFICES: 20 NORTH WACKER DRIVE, CHICAGO 6

**Smooth Operation for  
America's *Finest* Products**

**Lamb Electric  
MOTORS**



Lamb Electric Motors provide the quality of motor performance that helps a product become a leader in its field. This performance results largely from special engineering, which insures exact motor requirements for the application.

Furthermore, with Lamb Electric specially engineered motors, it is often possible to reduce product weight, provide compactness, and lower cost. The Lamb Electric Company, Kent, Ohio.

**Lamb Electric**  
SPECIAL APPLICATION  
FRACTIONAL HORSEPOWER **MOTORS**

move, but it is not the only important one. The organization does some group purchasing of other merchandise—particularly on national-brand video sets, but also on other appliances.

The Queens merchants carry their cooperation a step further, to the installation and servicing of television sets. By getting together on these jobs, Q.E.A.M.A. can maintain a fleet of trucks for servicing and installing TV sets—and other appliances—in all five New York boroughs. The dealers claim that this type of operation effects a cut in their installation costs of more than 50%.

• **Other Activities**—Q.E.A.M.A. has two other joint enterprises—both money-savers. One is a clearing house, through which the organization has moved a great deal of excess inventory of discontinued models. Not only TV sets, but also washers, radios, refrigerators, and other items have been exchanged in this way. Another Q.E.A.M.A. service is to get health and accident insurance for its members at lower rates than they could get individually.

• **Big Ten**—The Philadelphia association of appliance dealers is called Big Ten. Big Ten got its start in 1947; apparently it has operated harmoniously from the beginning. During its first 12 months, the organization spent \$37,000 in cooperative advertising; last year it stepped it up to \$50,000.

Big Ten acquired the Bendix radio and television distributorship in the spring of this year. That has meant that the organization could buy sets at a lower rate for its member stores. And the stores have exclusive distribution rights for the city.

• **Competitive Strength**—According to Mort Farr, one of Big Ten's leading lights, the members have been able to hold their own with big downtown department stores, thanks to the cooperative ad program. The group has only one administrative officer. It takes a unanimous vote of the 10 members to get any big promotion under way.

All of Big Ten's member stores have expanded since the organization was formed. One spent \$50,000 on alterations; another opened a second outlet.

## AVCO SELLS RADIO STATION

Avco Corp.'s Crosley Broadcasting Corp. recently failed to get FCC approval for purchase of Louisville's radio station WHAS (BW—Oct. 15'49, p. 73). Now it has disposed of one of its own stations. The company sold its New York outlet, WINS, to Cencroso Pope, owner of the Italian-language newspaper, *Il Progresso Italo-Americano*, and of radio station WHOM, Jersey City.

Crosley bought WINS from Hearst Radio three years ago for \$1.7-million. The price to Pope: \$512,000.



FROM THE **S-A** RECORD BOOK • *Another Example • Another Field • Another Bulk Material •*

# P roduction Moved Downstairs

**Achieves Lower Costs by Mechanizing Materials Handling**

The economical mass movement of bulk materials in *any* location . . . in *any* industry, requires a carefully planned handling system.

Your problem may not involve the handling of 1,000 tons of rock per hour or the design and equipping of a new plant at track level, but the basic need for low-cost handling is common to all industries. Stephens-Adamson engineers apply

years of experience and a complete line of equipment to solve handling problems . . . large or small.

So . . . if you handle materials in bulk . . . S-A engineers will be glad to survey your operations and make recommendations toward better and lower-cost handling. We are ready to discuss the possibilities if you will write us to say you'll listen. There is, of course, no obligation.



**STEPHENS-A-DAMSON**  
43 Ridgeway Avenue, Aurora, Illinois MFG. CO. Los Angeles, Calif. • Belleville, Ontario  
DESIGNERS AND MANUFACTURERS OF ALL TYPES OF BULK MATERIALS HANDLING EQUIPMENT

**FIND OUT  
WHY  
INDUSTRY IS  
LOCATING IN**

**SANTA CLARA  
COUNTY** *California*

*Write for This Free Book!*

**'New Industry Speaks'**

Based on the statements of industrialists who have recently established plants in Santa Clara County. Factual and free—but write on your business letterhead.



Dept. W, San Jose Chamber of Commerce  
San Jose, California

## EXPORTERS!

**"VPI" Vapor Prevents  
Rust at LESS COST**

This **PROVEN** vapor method of rust prevention requires **NO SLUSHING**—no degreasing. Leaders in industry now report "rejection due to rust completely eliminated"—"82% savings in cartons alone". For factual case studies of this simple, more effective, packaging success, ask for "Industrial Applications" of

**Angier VPI Wrap**

(Vapor Phase Inhibitor)

Made and sold under license from Shell Development Co. by

**ANGIER CORP., Framingham 7, Mass.**

Industrial Packaging Engineers Since 1935



Angier Corp., Framingham 7, Mass.

Please send new 24 page booklet on "Industrial Applications of Angier VPI Wrap" (Use Margin for Name, Address.)

## Success Formula for Shellac

Wm. Zinsser & Co. has built a standard product into a highly profitable specialty item by stressing quality, promotion, labeling. Company's sales volume this year is at record high.

If you tried to make a freehand list of shellac manufacturers, you might find it hard to think of a single name. Mainly, that's because shellac makers don't talk much about their product. Even the paint makers and retailers who distribute shellac give it routine treatment—despite the fact that shellac is a "must" in any paint store.

• **Recipe for Profits**—In New York, though, one shellac maker has proved you can make a good business out of a neglected product. And William Zinsser & Co., Inc., has done it by a basically simple formula:

- (1) Make the best shellac you know how;
- (2) Tell your prospective customers—through display advertising and direct mail—what shellac is, what it will do;
- (3) Distribute the product on a national scale under your own label.

This year's sales have solidly confirmed the Zinsser approach. With physical volume in the paint, varnish, and lacquer industries running behind last year's figures, Zinsser's sales in pounds and gallons are at record high. What's more, the company has set the record with products considerably higher-priced than those of its competitors.

• **100-Year Process**—The Zinsser Co. has been developing its formula ever since 1849, when the first William Zinsser, fresh off the boat from Germany, set up the first U.S. shellac factory in the Manhattan farmlands on 59th Street. This week, as the company celebrates its 100th anniversary, the 59th Street factory still turns out a quality product. So does a second plant in Chicago. Both are proof that there is plenty of money in transforming a staple item into a specialty.

Zinsser hasn't always marketed shellac as a specialty item. Until the early years of this century, when the founder's grandsons, William Zinsser III and Rudolph Zinsser, took over, the company followed a traditional pattern in the shellac business. They sold shellac in bulk, wet and dry, and under any label the customer asked for. Frequently, that meant putting the product up under about as many labels as there were customers.

• **Change in Tactics**—The third generation had different ideas; if the company was going to turn out good shellac, the Zinsser brothers wanted the company to get credit for it. So one night, in the same cobblestone yard where William

Zinsser I had started the business, they built a bonfire of the thousands of private labels they had used to package their product. From then on, there was just one trademark—Bulls Eye Brand—for Zinsser shellac.

Having a trademark is a fine thing—if anyone knows what it means. That meant the company's next job was to spread the word about who made Bulls Eye shellac and just what shellac could do.

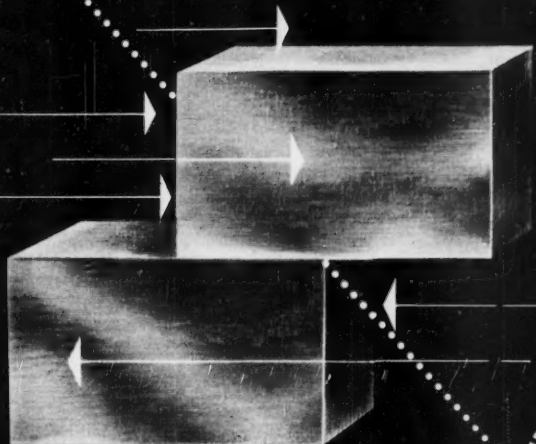
Zinsser's promotional campaign has relied mainly on direct-mail advertising. The company has put out numerous booklets explaining how shellac is made, how it is used, how it can be sold. Zinsser's customers and prospects soon learned that the world's raw shellac supply comes only from India where millions of tiny red bugs called *Laccifer lacca*, attach themselves to trees, cover themselves with a resinous crust, and die. At harvest time, the twigs are cut



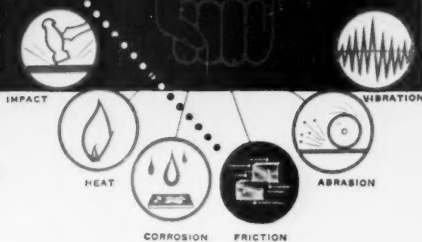
## Chessie in a New Role

A well-known trade mark is sometimes a key that will open new markets. Latest example: Chessie, the Chesapeake & Ohio Ry.'s sleepy kitten. Over the years Chessie has appeared on most forms of ad media. Now Chessie is promoting C.&O. through women's scarves. The Glensder Textile Corp., New York, has exclusive rights to hand-screen Chessie on silk. It distributes the scarves through department stores and specialty shops, at \$3 each retail.

# FRICION causes WEAR that costs money



INDUSTRIAL WEAR IS OUR BUSINESS



**AMERICAN BRAKE SHOE may be able to help  
you with your friction wear problems**

Friction is a paradox. The friction that is generated in the braking of a train or automobile is harnessed to serve. Yet in industry, friction is an enemy. It shortens the life of many machines and parts.

Our experience may help you curb this cost of wear. We have worked with a wide range of bearing metals, bearing design and manufacture.

For instance, in the blooming mill of a large steel company, our engineers installed new bearings which have rolled over a million tons, roughly three times the life of their predecessors. We used a different metal, redesigned the bearing and its lubricating system, and cut breakdowns by two thirds! In a

Copyright 1949, American Brake Shoe Company

large cement mill, crusher bearing linings now last six times as long and have a lower initial cost because Brake Shoe engineers recommended a type which could better withstand this gruelling service.

For over 46 years of service, Brake Shoe has worked to make the machines and parts used by industry last longer. Our research has been in the six major fields of wear; impact, heat, corrosion, friction, abrasion, and vibration.

We will work with you toward a solution of your industrial wear problem in any of these fields. Write: Development Department, American Brake Shoe Company, 230 Park Avenue, New York 17, N. Y.

**AMERICAN**

**Brake Shoe**

**COMPANY**

230 PARK AVENUE, NEW YORK 17, N. Y.

10 Divisions of American Brake Shoe Co. produce wear-resisting parts in 58 American and Canadian plants.

AMERICAN BRAKEBLOK DIVISION • AMERICAN FORGE DIVISION • AMERICAN MANGANESE STEEL DIVISION  
BRAKE SHOE AND CASTINGS DIVISION • ELECTRO-ALLOYS DIVISION • ENGINEERED CASTINGS DIVISION  
KELLOGG DIVISION • NATIONAL BEARING DIVISION • RAMAPO AJAX DIVISION • SOUTHERN WHEEL DIVISION

# YOU CAN BE SURE..IF IT'S Westinghouse



## A PIECE OF THE SUN IS NEEDED HERE

Fog we will always have with us . . .

And the pilot hates it worst . . . hates it, shuns it, strains eyes and will to get through it . . . and then probably has to go around it.

His fondest wish is for a piece of the sun brought right down to earth. Preferably, he'd like to have it mounted in a reflector and dot . . . dot . . . dot those reflectors in blazing, flashing lines along his landing strip.

So . . . for these eager pilots, for every man who flies . . .

Westinghouse has made its own little suns for just this need. Three-billion-candlepower-bright they are. Yet, the light source (the bulb)

is so small it can be held in the palm of your hand. It shines through zero-zero conditions.

This amazing Westinghouse light source can be used as a basic part of any all-weather-approach-light system. It makes the pilot sure where he's setting down his wheels after instruments bring him in close.

These brightest lights ever made, these pieces of the sun, are but one jewel of superb engineering and precision manufacture from the galaxy of Westinghouse achievements.

They are a reminder that on refrigerators or turbines, on motors or lamps, you can be sure if it's Westinghouse.



MAKER OF THE BROADEST LINE OF ELECTRICAL EQUIPMENT

from the trees and are scraped. The lac residue is washed and shipped to the U. S.

That's where the Zinsser Co. takes over. Zinsser grinds, washes, bleaches, and dries the shellac; it packages it in a variety of forms, both dry and dissolved in alcohol as a liquid. The shellac then goes out to manufacturers of electrical products for insulating purposes, and to manufacturers of furniture, floor waxes, adhesives, optical goods, coated paper, felt hats, pharmaceuticals (to coat pills that don't dissolve until they hit the intestines), printing inks, shoe dressings, and many other products.

• **Dealer Policy**—To the retailers who distribute Zinsser products, the company tells a lot more than the method of manufacture. Zinsser is anxious to give him information on how shellac can be used; the retailer, after all, is the company's link with the home owner who plans to finish his floors or seal a wood panel. Besides telling the dealer how to use shellac, Zinsser provides him with booklets for distribution to his customers.

All of Zinsser's literature stresses the quality angle. "We try to tell them," says William Zinsser III, "that if they want the best shellac on the market, we've got it—but that means they've got to pay our price. We blend our shellacs, just the way a cigarette maker blends tobaccos, to get a constant, high-quality product. And you can't sell quality at cut-rate prices."

The company is just as adamant on its selling terms as it is on the subject of quality. Zinsser doesn't sell to any retailer whose credit is even remotely questionable (which has resulted in an unusually low percentage of credit losses); it supplies only sizable dealers, who, in turn, handle the smaller accounts.

Furthermore, there is no space on the expense accounts of the company's salesmen for entertaining customers; the product is sold on its merits alone, or not sold at all.

• **New Products**—The Zinssers' concentration on shellac has lead them into the development of several new shellac products. They now make a covering called Bulls-I-Namel, which has all the characteristics of shellac, plus white pigment and flatness.

The Zinssers figure they have publicized it pretty well.

In 1947, the company conducted a nationwide contest for painters. It offered cash prizes for the best stories of experiences with Bulls Eye shellac. But hundreds of painters wrote in glowing stories about Bulls-I-Namel instead. That didn't win them any prizes, but it enabled Zinsser to put out a testimonial promotion piece on its unique shellac product.

Flawless forming and upsetting that reduces rejections

Greatly increases the life of screw-head dies and plugs

Saves inspection time — lowers your labor costs!

**KEYSTONE**  
"SPECIAL PROCESSED"  
**COLD HEADING WIRE**

For recessed heads, Keystone's new special-process wire delivers the desired upsetting and die forming qualities with such a high degree of uniformity that finished product rejections are practically eliminated . . . individual inspection of screws is no longer necessary . . . die and plug life are often more than doubled. This new wire effects considerable savings in the production of Phillips head, clutch head and cross recessed head screws.

Keystone is prepared to help solve any of your industrial wire problems. If special treatment is called for, Keystone's metallurgical research and testing facilities are available to supply the answers. We welcome your inquiry.

**KEYSTONE**  
**STEEL & WIRE CO.**  
PEORIA . . . ILLINOIS

*Special Analysis Wire, Setting  
New Standards of Performance*





*How to relax...and hurry!*



Beautiful diners add to your enjoyment of fine food

**OLYMPIAN**  
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Chicago—Twin Cities  
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*Hiawatha*  
Serving Wisconsin River Valley

## RIDE THE *Hiawathas*

Going where you go is a great feat of new Milwaukee Road *Hiawathas* that are famous for giving the smoothest and quietest of high speed rides. Sink back restfully while these Speed-liners race through the miles. Savor the pleasant warmth of Milwaukee Road hospitality.

*Hiawatha* equipment, the newest and finest on rails, includes such innovations as Skytop Lounge cars, radio-equipped Tip Top Tap cars, private-room sleepers and Luxorest coaches of new design. H. Sengstacken, Pass'r Traf. Mgr., 708 Union Station, Chicago 6.



Pleasant informality keynotes the Tip Top Tap car

**THE MILWAUKEE  
ROAD** *Hiawathas are rolling  
9000 miles a day!*

## MARKETING BRIEFS

A merchandise bonus, like those popular in the 1930's, is being used by Cory Corp. distributors to encourage retailers to carry larger stocks of Cory Rubberless glass coffee brewers. The dealer buys five brewers, gets one free.

Hardware outlets are now going to handle Minneapolis-Honeywell automatic thermostats for household use. The company formerly distributed them only through contractors and supply houses. A year-long marketing test changed the policy.

Commutation tickets by mail: The Central Railroad of New Jersey will mail tickets out monthly to any commuter who will arrange with his bank to deduct the cost regularly from his checking account, send a check to the C.R.N.J.

Record matinee audiences resulted from televising the World Series on the screen of Fabian Theaters' Brooklyn Fox movie house (BW—Sep. 17 '49, p. 28)—despite a boost in weekday box-office prices from 55¢ to \$1.20, week-end prices from 95¢ to \$1.50.

Hidden microphones and wire recorders are being used by the New York sales-consultant firm of Horton & Henry to eavesdrop on sales personnel of stores. The idea is to correct faulty sales techniques.

Sylvania Television entered the consumer market on Sept. 15, when it began distribution in 15 eastern cities. Now it is beginning distribution in six major Far West and West Coast centers.

Distribution costs in retail drug stores will be studied by the National Assn. of Retail Druggists.

A five-package carton of Old Gold cigarettes is being test-marketed. P. Lorillard Co. is mum about the number of cities that are being tested.

Ford dealers in the U. S. were pledged by Henry Ford II to do all that "possibly can be done to increase British-made Ford sales in America." Last year 3,661 British-made Fords were sold in the U. S. Sales so far this year are 4,673.

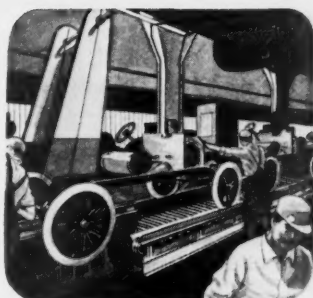
Food-chain operators heard last week that 6,000 new supermarkets will be needed in the next decade. Lansing P. Shield, president of Grand Union Co., made his prediction on the basis of growing appetites and mounting family incomes.



**1 1875**—Wisconsin offered a \$10,000 reward to the person who would invent a steam carriage. George Seldon, Rochester, N. Y., was first and collected . . . America's great auto industry was under way.

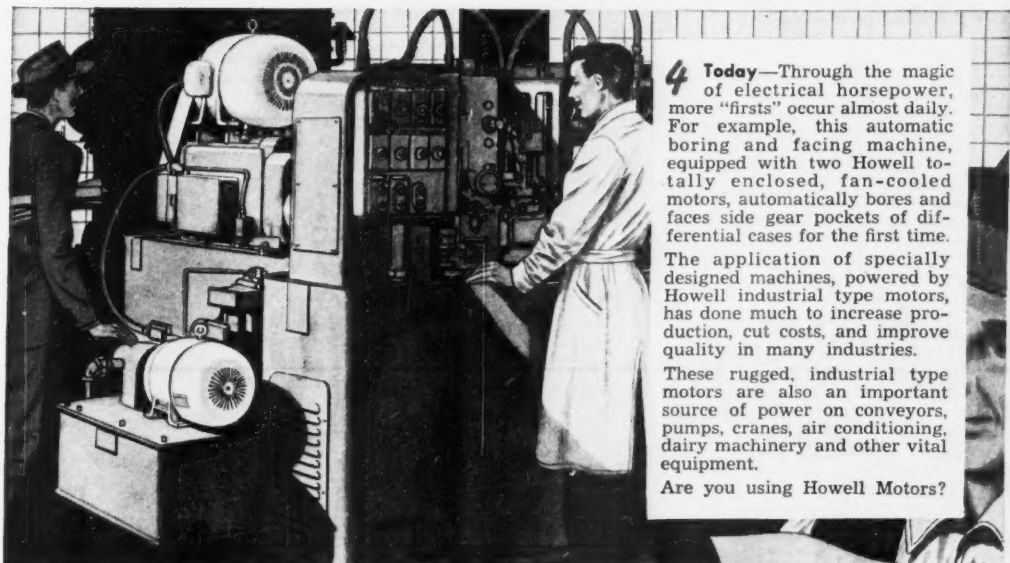


**2 1892**—First gasoline-driven car was built by Charles Duryea with screw drivers and wrenches. Machine tools to aid this growing industry soon appeared. But parts still had to be assembled by hand.



**3 1913**—First moving assembly line was used in auto plants! Gone, now, was much of the labor of carrying parts. In 1915, Howell "Red Band" Motors appeared and soon were widely accepted in industry.

## FAMOUS AUTOMOTIVE FIRSTS! REMEMBER?



**4 Today**—Through the magic of electrical horsepower, more "firsts" occur almost daily. For example, this automatic boring and facing machine, equipped with two Howell totally enclosed, fan-cooled motors, automatically bores and faces side gear pockets of differential cases for the first time.

The application of specially designed machines, powered by Howell industrial type motors, has done much to increase production, cut costs, and improve quality in many industries.

These rugged, industrial type motors are also an important source of power on conveyors, pumps, cranes, air conditioning, dairy machinery and other vital equipment.

Are you using Howell Motors?

*Free enterprise encourages mass production, supplies more jobs—provides more goods for more people at less cost.*

Howell totally enclosed, fan-cooled motor—windings completely sealed against dirt and weather.



## HOWELL MOTORS

HOWELL ELECTRIC MOTORS CO., HOWELL, MICH.  
Precision-built Industrial Motors Since 1915



**Give your key men  
the up-to-the-minute  
facts on . . .**

## **RESISTANCE WELDING**

*New fact program helps  
cut costs in your plant*

Up-to-date knowledge of modern resistance welding is a *must* for your key men. Get this money saving information to them *now!*

IT'S EASY—General Electric has prepared all the facts in an easy-to-take, visual manner that's ideal for getting new ideas across fast.

**Here's what the resistance welding program offers:**

1. A fact-packed manual detailing the methods, practices, and equipment of modern resistance welding. It spells out objectively—without sales bias—the many ways in which this versatile industrial tool cuts costs and increases speed.

2. A full-color, sound motion picture, running about a half hour, showing how resistance welding solves problems similar to yours.

3. Fully-illustrated highlights booklets for individual study and review.

**Convince yourself first—**

We want you to judge for yourself whether the resistance welding program will pay off in your plant. That's why we offer business executives this chance to examine the *Resistance Welding Manual* without cost.

**Showings cost you nothing.** With your manual, we'll tell you how to arrange for a FREE film showing.



**FREE  
TO BUSINESS  
MANAGEMENT**

Attach  
to your  
business  
letterhead

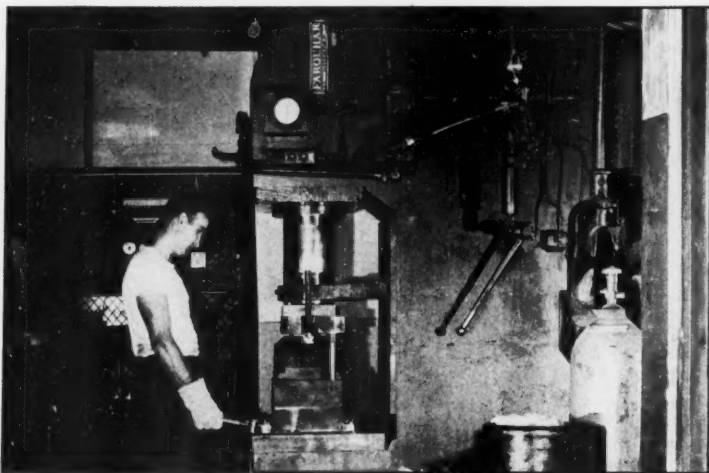
General Electric Co.  
Section A684-J  
Schenectady 5, N. Y.

Please send me a sample copy of the G-E Resistance Welding Manual without cost or obligation, with details on how I can arrange for a FREE SHOWING of the film. (Extra copies at regular manual price—\$1.00.)

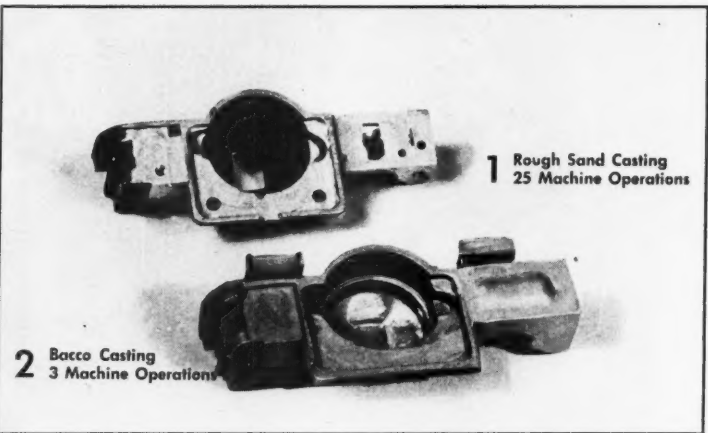
Name \_\_\_\_\_ Title \_\_\_\_\_  
Company \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_

**GENERAL ELECTRIC**

# PRODUCTION



1 Mold and die are mounted on a hydraulic press in the Bacco casting process. The die and cavity exert force on all sides of the hot metal at once.



1 Rough Sand Casting  
25 Machine Operations

2 Bacco Casting  
3 Machine Operations

3 Process means savings in manufacturing time. The sand-cast part (1) needs 25 machinings; the Bacco-cast part (2) only three. Bacco process can be applied to . . .

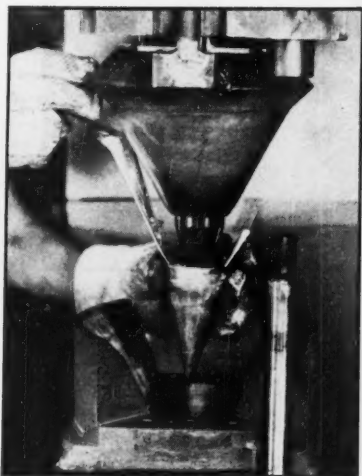
## Casting Method Eliminates

Bacco process puts high pressure on hot metal from all sides, results in smooth surface that needs little or no machining.

A new single-operation casting process will soon be generally available to industry. It is especially suitable for casting, to extremely close tolerances, very complicated parts that ordinarily require many finishing operations after being cast. Its big advantage is that it

does away with a lot of this final machining.

• **Single Operation**—The Bacco process is being developed by Harold H. Budds, president of Budds Aero Castings, Inc., Canaan, Conn. It is a process of German origin that casts, molds, forges, and



**2** Excess metal is forced out when press closes and carries away impurities. The . . .



**4** Unusual shapes like this finned piece. Fins and holes are made in casting process.

## Most Finishing

coins a part to finished dimensions all in one operation. It does this by applying equal pressure to the molten metal from all sides at once.

Budds by no means puts the Bacco process forward as a cure-all for the ills of the casting business. Nor does he think of it as a replacement for other processes, such as die-casting or lost-wax casting. Lost wax, which requires many careful processing steps,

## HOW **TAPE** HELPS INDUSTRY SAVE TIME, CUT COSTS...



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**P**ERMACEL SEALS TRUCK DOORS — PROTECTS CARGO FROM DUST, MOISTURE. ANOTHER WAY IN WHICH **PERMACEL PROTECTION** PREVENTS COSTLY DAMAGE!

**S**TRIPS OF PERMACEL PROTECT PIPE THREADS FROM DAMAGE DURING HANDLING, STORAGE. **PERMACEL'S QUICK, LOW-COST!**



**PERMACEL TAPES** are laboratory-developed, carefully tested under toughest conditions for tensile strength, adhesion, stretch. Play safe — use **PERMACEL!**

**LET OUR TRAINED TECHNICIANS** come and help you find ways of cutting time and costs with **PERMACEL TAPES**.

# Permacel®

**INDUSTRIAL TAPES**

INDUSTRIAL TAPE CORPORATION • NEW BRUNSWICK, N. J.

# Mississippi town gives new Industry 780 to 7 Vote of Confidence



On June 24, 1949, the citizens of Cleveland, Mississippi, voted 780 to 7 to issue \$540,000 in industrial bonds to purchase a site and construct a building for Baxter Laboratories, Inc.

This election was made possible by Mississippi's BAWI Plan. It is a typical example of the attitude of Mississippi's communities—both large and small—towards new industrial enterprises.

The \$540,000 represents a considerable savings in initial capital outlay for Baxter Laboratories, but even more important to the success of this company's new venture is the overwhelming vote of confidence which they received from the people of Cleveland.

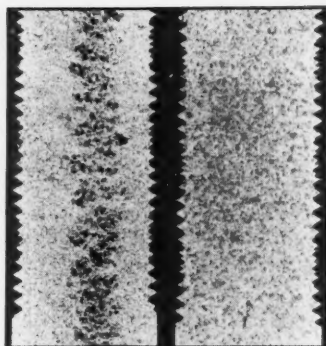
For Specific Information As To How Mississippi's BAWI Plan Can Provide A Building For Your Industry . . . Call or Write.

**MISSISSIPPI**  
THE BAWI STATE  
**AGRICULTURAL AND INDUSTRIAL BOARD**  
New Capitol Building Jackson, Mississippi

Cleveland is only one of sixty-three Mississippi municipalities which have successfully voted industrial bonds under the BAWI Plan. These and others are ready to prove again Mississippi's attitude toward industry by action at the polls.

## Other Advantages

Industries seeking new plant locations will find that Mississippi offers all the important factors necessary for a successful industrial operation. Besides the exclusive provisions of the BAWI Plan, these include: A wealth of annually replaceable agricultural raw products . . . an economic growth much greater than the national average . . . a reservoir of intelligent, native-born labor . . . access to the world's largest reserves of natural gas . . . and plentiful electric power.



INCREASED DENSITY of Bacco-cast part is shown by microphotographs of conventionally cast section (left) and Bacco-cast section.

is more suitable for many types of small, intricate parts where extremely high dimensional accuracy is vital. Die-casting is less expensive, and can mass-produce at a much higher rate.

As an example of a casting for which his process is made to order, Budd cites a camera part of high definition that formerly required 25 separate machine operations for finishing. When it is cast by the Bacco process, only three simple machinings are needed.

• **The Details**—Here's how the Bacco process works. A die and its corresponding cavity are mounted on a conventional four-poster hydraulic press—the cavity on the bed of the press, the die on the ram. The die and the cavity together make up the mold for the part to be cast. And the cavity is made in separately articulated sections so that pressure can be applied in all directions. (This is the chief difference from die-casting, which applies pressure in only one direction.)

After the correct amount of molten metal is poured into the cavity, the ram descends. Pressure is applied to the top of the part by the ram, through the die itself. At the same time, pressure is applied to the sides by the articulated sections of the cavity, which are actuated by cams attached to the ram.

• **Impurities Forced Out**—As the die and the cavity come together, excess metal is squeezed out, carrying with it the impurities and gases that were in the metal when it was poured.

After the metal solidifies, but while it is still hot, still more pressure is applied. This coining action squeezes the part down to its final dimensions, and leaves it with a very smooth surface that requires little or no further finishing. The extra pressure involved in the coining also increases the density of the metal. Result: A Bacco-cast part often has better tensile strength and elongation qualities than are guaranteed by





**"Magnet Wire?"**  
***I didn't even know ROEBLING made it!...***

THIS VISIT to just one of the Roebling works has been an eye-opener. Everyone in my line knows Roebling wire rope, but I never heard that you stack up so big in electrical wires and cables."

☆ ☆ ☆

Many people are surprised to learn of the wide diversity of Roebling's line of wires and wire products. It is often news, too, that several different items in the Roebling line are used in one and the same field. In mines and quarries, for example, Roebling Wire Rope, Aggregate Screens and Portable Electrical Cable are all likely to be on the job together. Wherever there's industry, there are Roebling products that help bring highest efficiency and lowest service cost.

**WOVEN WIRE FABRIC.** Roebling weaves wire screens to meet every sort of industrial requirement. From large size Aggregate Screens to closely woven Filter Cloths, wires made of special steels and non-ferrous metals bring new measures of resistance to abrasion and corrosion.

**WIRE ROPE.** Roebling wire rope is made in a complete range of types and always affords a rope that's *right* for every application. For easy handling, smooth operation and long life on the job, Roebling Preformed "Blue Center" Wire Rope is unsurpassed.

**ELECTRICAL WIRE - CABLE - MAGNET WIRE.** With more than 60 standard types, Roebling's line of electrical wire and cable meets practically all transmission, distribution and service needs. . . . The insulation of Roebling Magnet Wire is

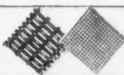
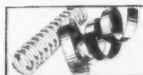
10 to 40 times tougher than other types—first choice for high-speed winding.

**ROUND-FLAT-SHAPED WIRE.** Manufacturers adopt Roebling high carbon wire for its dependable uniformity which minimizes machine stoppages and rejects, and pulls down production costs.

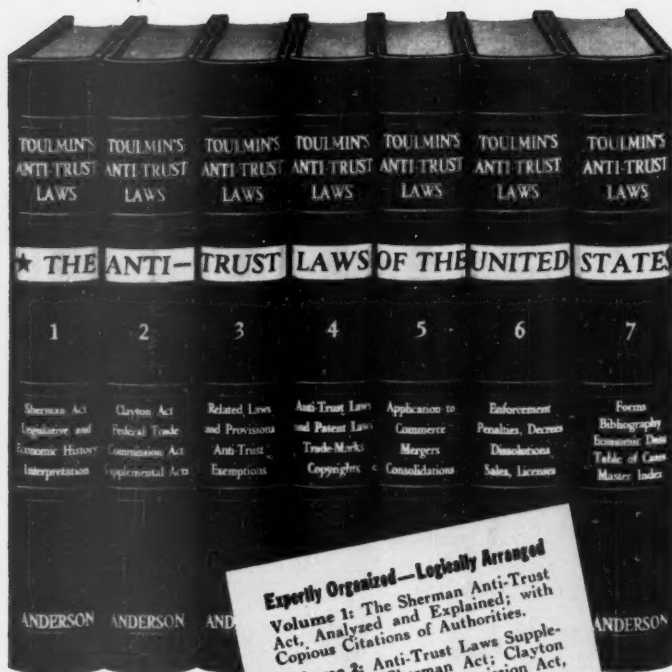
☆ ☆ ☆

Get full information about the Roebling products that might effect savings and boost efficiency in *your* operations. Write or call your nearest Roebling branch office. John A. Roebling's Sons Co., Trenton 2, N. J.

**BRANCH OFFICES:** Atlanta, 934 Avon Ave. \* Boston, 51 Sleeper St. \* Chicago, 5525 W. Roosevelt Rd. \* Cleveland, 701 St. Clair Ave., N. E. \* Denver, 1635 17th St. \* Houston, 6216 Navigation Blvd. \* Los Angeles, 216 S. Alameda St. \* New York, 19 Rector St. \* Philadelphia, 12 S. 12th St. \* Pittsburgh, 855 W. North Ave. \* Portland, Ore., 1035 N. W. 14th Ave. \* San Francisco, 1740 17th St. \* Seattle, 900 First Ave. So.



**ROEBLING**



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Trusts and Combinations at Common Law  
Constitutionality of the Sherman Act  
Interstate and Foreign Commerce  
Miller-Tydings Act—Resale Price Maintenance  
Clayton Act—As Amended by Robinson-Patman Act  
Federal Trade Commission Act—As Amended by Wheeler-Lea Act  
Organization of the Federal Trade Commission  
Powers of the Commission—Basing Point Systems—Price-Fixing  
Unfair Competition  
Tying Clauses in Patent License Contracts  
Price Control in Patent License Contracts  
Fair Trade Laws: Patent Price Control and the Anti-Trust Laws  
Patent Pools  
Trade-Marks and the Anti-Trust Laws  
Copyrights and the Anti-Trust Laws  
Control of Marketing and Distribution under the Patent Laws  
Control of Raw and Semi-Fabricated Materials under the Anti-Trust Laws  
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**Volume 7:** Forms, Table of Cases; Master Index. (Each volume will also have its own Index.)

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the maker of the metal for the particular alloy used. Frequently a Bacco part will be 10% to 40% stronger than the manufacturer's specifications for the casting metal.

• **Critical**—The critical factors in the process are (1) the temperatures of the die-cavity and molten metal, and (2) the articulated construction of the die-cavity assembly.

The die-cavity is heated by built-in electrical-resistance elements. Its temperature, and that of the metal, must be held within definite limits, depending on the metal's characteristics and other variables. Each metal or alloy has its own optimum working temperature; it can be determined only after considerable experimental casting of sample parts.

Die-cavities for the process are designed and built to the exact dimensions of the finished part. The construction, of course, depends on the form of the part. If it has four surfaces, then the die-cavity may be broken up into four movable sections. A die-cavity for a simpler part will, naturally, be less complicated.

• **No Limit**—Up to now, the largest casting turned out by the Bacco process weighs only 5 lb., measures only about 192 cu. in. But Budds says there is no theoretical limit to the size of parts that the process can turn out. The only practical limit depends on the size of the press available.

Another point: As the design of the part becomes more irregular, pressures applied to the die and cavity sections must increase. A simple part, with flat surfaces, may need only moderate pressure, while one with intricate contours may require very high pressure to get the desired definition.

• **Will Be Licensed**—Although operations so far have been on a development basis, the company has mass-produced several different parts under contract. But Budds points out that this is the exception; the company's plant facilities are such that it definitely is not a mass-production organization.

Once the development of Bacco satisfies Budds, the company will license the process to other manufacturers.

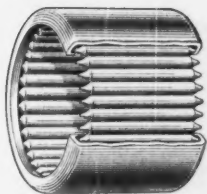
**PORTABLE GAS TURBINE**

Engineers on the West Coast last week were busy discussing the newest entry into the gas-turbine field: an automotive-size, portable job that delivers 84 hp.—but weighs only 98 lb. The engine, heretofore a military secret, was displayed at the aeronautical meeting of the Society of Automotive Engineers, at Los Angeles. It operates at 40,000 r.p.m. and is practically vibrationless. It was made up by AiResearch Mfg. Co., under Navy sponsorship, to power electrical and heating devices.

# REDUCE WEAR AND CARE

## with Torrington

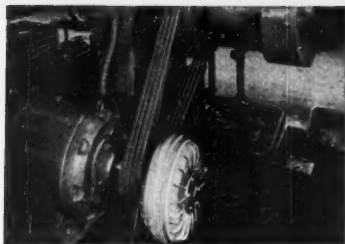
### Needle Bearings



**Glenn L. Martin Company** reduces wear and maintenance in many control mechanisms of the P4M-1 Mercator and other Martin planes by using high-capacity Needle Bearings.



**John Deere** equips its hay balers and other farm implements and tractors with efficient, compact Torrington Needle Bearings to allow long periods of field operation with minimum time out for lubrication.



**Twin Disc Clutch Company's** Hydro-Sheave Drive enables motors to start up smoothly under load. Needle Bearings help keep it running smoothly with little maintenance attention.

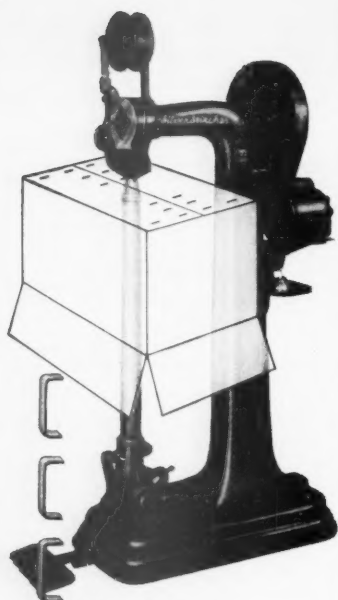
The smooth anti-friction operation of Torrington Needle Bearings means less wear and care in all kinds of equipment.

Needle Bearings carry greater radial loads than any other type of anti-friction bearing of comparable size. This extra capacity assures extra service life, with sustained smoothness and precision. Needle Bearings also retain an ample reserve of lubricant to cushion wear and allow long periods of non-stop operation.

Design your equipment for long service and trouble-free operation by using compact, high-capacity Needle Bearings. Our engineers will be glad to help you. THE TORRINGTON COMPANY, Torrington, Conn., South Bend 21, Ind. District Offices and Distributors in Principal Cities of United States and Canada.

## TORRINGTON *NEEDLE* BEARINGS

Needle • Spherical Roller • Tapered Roller • Straight Roller • Ball • Needle Rollers



## Package Assembly and Closing Cost Less with ACME SILVERSTITCHER

You save time. You save labor. You save materials. And this three-way saving cuts—yes, cuts—the cost of packaging. Find out how wire stitching can help you save. Ask an Acme representative to show you. Mail the coupon for further details.

STITCHING WIRE DIVISION  
**ACME STEEL COMPANY**  
New York 17 Atlanta Chicago 8  
Los Angeles 11

ACME STEEL COMPANY, Dept. BW-229  
2838 Archer Avenue, Chicago 8, Illinois

- ☐ Send booklet, "Profit by Stitching."  
☐ Have representative call.

Name

Company

Address

City  Zone  State

## THE PRODUCTION PATTERN

**C**UTTING production costs on a product that mostly involves hand labor looks like a tough job at first glance. And it is—because there are work corners that can't be cut, costs that can't be shaved. It takes some thinking to get beyond those corners and find the spots along the production road where you can do a bit of speeding.

Last week, Johnson-Carper Furniture Co. showed how it had managed to trim a good slice of costs at its new plant setup at Roanoke, Va. It has done the job without drastic elimination of hand labor and without impairing quality.

On the business of cutting manufacturing costs, the furniture maker is up against it. First of all, he can't do too much about simplifying the design; he pretty much has to stick with a traditional shape. Secondly, he has to work with wood. Wood is a pretty versatile material, but you can't handle it the way you can handle metal, for instance. You can't bang it into shape; you can't weld or join it by simple methods; and wood is a tough customer when it comes to finishing.

**D**ONALD L. JORDAN, president of Johnson-Carper, laid out \$600,000 to modernize his plant. He gets mileage out of this outlay because he looked at all the angles before he started. Then he put the money where it would do the most good.

Jordan is a cost-cutter from away back. He was one of the first furniture makers to apply synthetic finishing resins to his products, one of the first to use overhead conveyors to carry pieces through the painting, finishing, and buffing operations. A year or so ago, he realized that those steps weren't enough; he needed bigger brooms to clear up his plant operation.

In many ways, the Johnson-Carper modernization follows the production thinking of the automotive industry. J-C simplified its product where it could. But the big stress was on strengthening weak production spots—especially where hand work wasn't involved. The idea was to cut down time-wasting intermediate handling, to get the work to and from worker stations in a hurry, on a timetable

basis. This meant mechanizing a lot of the operations. Even some of the manual operations could be speeded by powered hand tools.

**T**HE MECHANIZATION began at the beginning. The raw wood feeds in from seven new automatically controlled kilns, which take out moisture. Then it is moved to conditioning rooms that bring the wood to plant temperature. A conveyor rolls the wood through a bank of cutting saws (these are hand-controlled, but cutting speed is about the highest in the industry). Roller conveyors push the cut wood on to gluing stations. Here again hand operation takes over briefly, to load machines that apply the glue, build up the cores on which veneer will be placed by a couple of hydraulic presses. The presses are fed from specially designed fixtures which are loaded by two workers.

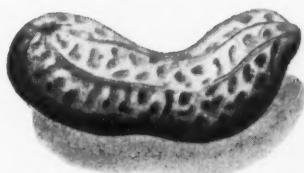
Once the cores are veneered, they travel to another point in the plant, where automatic saws, molders, drills do the necessary grooving, dovetailing, and boring. Then comes a big hand job—assembling the pieces, in special jigs, into bureaus, dressers, beds. After this, they take a last long ride on a 5,800-ft. conveyor. They travel past water-curtained spray booths, through drying ovens, past buffing stations, where they get a rub-down by hand. Finally, the conveyor delivers the finished furniture into a packing and shipping point.

**A**LL THE WAY through, the emphasis is on: (1) getting places fast with all the possible help machinery can give; and (2) making sure that automatic machines are easy to set up.

Jordan has overlooked no bets on improving efficiency. He knows the human factor is important. He has put in a new collection system that keeps the air clean of sawdust. A new electrical distribution system makes for greater safety. And finally, he has thrown in a wage-incentive system for good measure.

Top furniture experts agree that he has hit a sound formula. The new plant, they say, is probably the most efficient in the industry. And, with all the streamlining, it still turns out a handmade product.

# how much

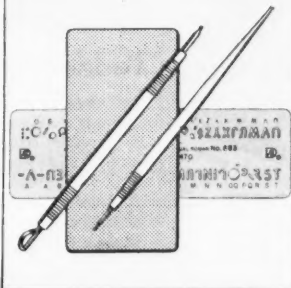


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**S**OLVENTS going up the stack represent pure waste if not a hazard as well. Every dollar's worth recovered is a dollar earned. Don't vent your solvent into the air. A Blaw-Knox Solvent Recovery System will save it at a cost so low that the system generally pays for itself in from 3 to 5 years.

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## Air Prospecting

Latest methods make it possible to do preliminary prospecting for oil and ores almost entirely by plane.

Before long, the normal way to find out what is underground will be to fly over it; preliminary prospecting for oil, ores, and other deposits will be carried on by plane. That's the prediction of Hans Lundberg, president of Toronto's Lundberg Explorations, expressed in a speech at the Colorado School of Mines' 75th anniversary exercises.

Planes can be equipped with instruments that record on paper. Thus, criss-cross or patterned flight will produce complete maps showing basic geological structures. Electronic fingers will give the geologist a general picture of what rock masses lie beneath the surface, as well as their shape and size.

• **Basic Methods**—Modern geophysics obtains geological information in four ways: by determining (1) magnetic characteristics, (2) specific gravity, (3) electrical conductivity, and (4) plastic behavior of the strata.

The first three methods are now being used—or will shortly be used—in



## Padded Cell for Noise

To measure how noisy noise really is, scientists at Illinois Institute of Technology use a padded cell. The cell walls are made of 6-in.-thick Fiberglas; the floor is 4-in.-thick soft rubber. Purpose of the sound-deadened construction is to insure accurate decibel measurements. "Patients" studied in the cell so far have ranged from a 20-lb., 1-hp. lawnmower motor to a 200,000-lb., 2,000-hp. diesel engine.

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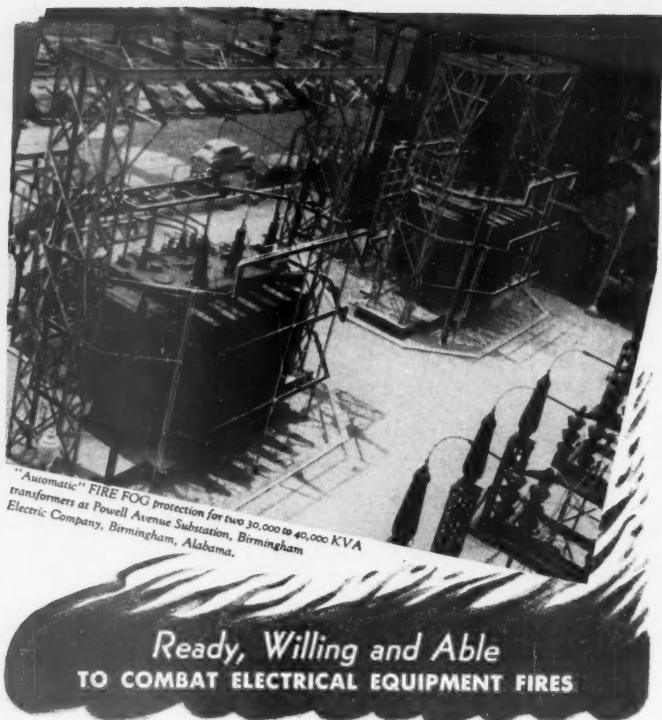
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airplanes and helicopters. No. 4—determining the plastic behavior of rock—is a ground operation; it's accomplished by setting off explosions and studying how the resulting shock waves travel.

• **War Development**—The search for Nazi submarines during the war gave airborne geology its big push. To ferret out the enemy's underwater craft, the military services borrowed the magnetometer—long used in prospecting work—and had planes tow the device at the end of a cable. This, in turn, showed the geophysicists how to use the instrument at high speeds in the air for their own work.

During the war, scientists found effective use for the technique in searching out iron ore and other strategic materials (BW—May 18 '46, p. 39). The flying magnetometer has since been used to map hundreds of thousands of square miles and is now standard equipment.

• **New Techniques**—Here are the newer developments Lundberg outlined:

• The ultra-sensitive gravimeter tells specific gravity. It is now regularly used at ground level and has been tried experimentally in planes. Lundberg says that this, too, will be standard airborne equipment within a year.

• Instruments that record the presence of different rock masses through electrical potential and conductivity are also being tested for use in planes. Electronic pulses "fingerprint" different rocks by the use of alternating current and specially shaped waves. Rock types and formations will show up as patterns on an oscilloscope in the cabin of a plane; these patterns can then be identified by comparison with the patterns made by known formations.

• **Fast and Cheap**—Lundberg says that the cost of surveying an area completely comes to about 1% of what it costs to do it on foot. Moreover, airborne prospectors can do the general job in about 1/500 the time. When it looks as though the air survey has found something, geologists can go in to give a close look at the spot.

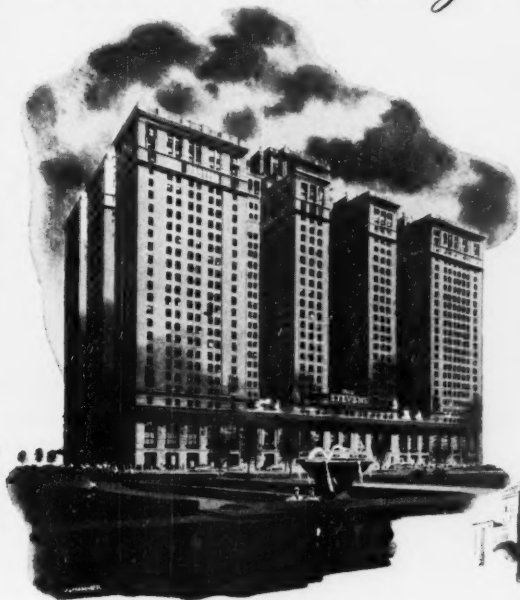
Lundberg figures that this will mean discoveries of ore in inaccessible regions that might never have been examined otherwise. Helicopters could be used to map the terrain, to land parties for working the likely spots, and to bring in geologists and supplies for more intensive search.

## DU PONT'S TEXTILE RESEARCH

Last week, E. I. du Pont de Nemours & Co. took the wraps off of some of the research work it is doing on textile dyeing and printing. Technicians attending the American Assn. of Textile Chemists' annual convention at Atlantic City heard about:

(1) A continuous method of applying

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Photos Courtesy of  
General Electric Co. and  
Boeing Airplane Co.

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The toughness of Kropp forgings helps make possible the terrific thrust of the J-47 Turbojet engine—power plant of America's great new jet fighters and bombers—including the B-47 "Stratojet," *The World's Fastest Bomber.*

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dyeing acids to wool that may result in cutting dyeing time to six minutes—compared with the hour needed for present batch methods.

(2) Ways of applying vat coloring methods to acetate rayons for the first time.

(3) Techniques that will permit vat-coloring of cotton and rayon ribbons. With ribbon, the process insures maximum fastness to light, perspiration, and water-spotting.

Du Pont said that some of the processes are just about emerging from the laboratory; the company also pointed out that it has other important textile studies "in the works." For example, its chemists are now absorbed in the basic problem of getting shrink-resistance into wool. Wool tops and raw stock are already being dyed with vat colors for the automotive industry, but du Pont's experimental work is aimed at broader applications of vat colors to wool.

Vistors also got demonstrations of the effectiveness of du Pont's new flame-retardant—Erifon—and information on how to apply the treatment.

## PRODUCTION BRIEFS

Mercury capsules trace the progress of underground fires in coal veins at the Bureau of Mine's experimental coal-to-gas station near Birmingham, Ala. When fire reaches capsules sunken into the veins, the mercury vaporizes. This is detected by an instrument developed by General Electric.

Heated air in Signode Steel Strapping Co.'s new Baltimore plant is pressurized by Dravo Corp. heating equipment. This prevents cold air from rushing in through frequently opened shipping doors during winter.

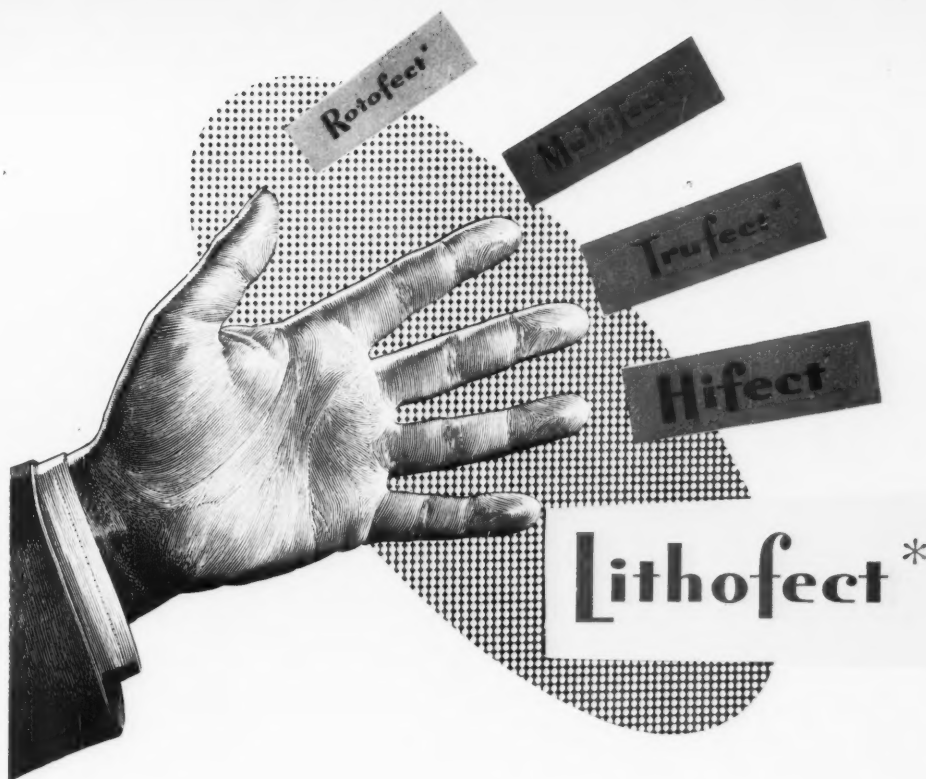
Actinium, a rare radioactive element, is in quantity production at International Rare Metals Refinery, Inc. The element is about 150 times as active as radium.

A new bottled-gas plant is under construction at Burlington, Vt., for Socony-Vacuum. Its output: 100 cylinders a day.

A style manual has been prepared by the American Standards Assn. for technical literature.

A new railroad bridge for the Illinois Central across the Ohio River at Cairo, Ill., has a tricky construction kink. American Bridge Co. will put up the new bridge temporarily alongside the old one, then replace the present bridge, section by section.





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### A Sun "Job Proved" Oil Cures Bearing Trouble in Rolling Mill, Increases Production, Improves Quality

Bearing trouble was cutting a strip mill's production way down, and biting deep into profits as well. The back-up rolls stuck and became dented, marring the steel. Every replacement of the rolls meant a shutdown. Production losses ran into thousands of tons a month, and the situation was critical.

Looking for a solution to the costly problem, the mill adopted a "Job Proved" Sun Oil for the roll-

neck bearings. The trouble stopped at once. Production time was increased by as much as 18 hours a week. Back-up rolls lasted their normal life, and product quality was restored.

This is typical of the increased production, improved quality and savings made possible wherever Sun petroleum products are used. For example, a clock manufacturer increased production 15 percent by

changing to a Sun cutting oil with fast-cooling properties. A machine tool manufacturer solved a "jump and chatter" problem on a newly designed machine by adopting Sunoco Way Lubricant. Changing to a Sun oil for bearing-lubrication, a paper mill saved \$3,000 on maintenance cost in 22 months.

For information about Sun "Job Proved" products for your industry, call the nearest Sun office.

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## NEW PRODUCTS



### Flameless Jet Heater

Hot Jet Heater provides a flameless blast of hot air or gas for heating, melting, sealing, or welding plastics. Hot Jet is suited for fabrication of plastics such as polyethylene, nylon, and polyvinyl chloride.

The Jet Heater and its control unit come in a carrying case. The heater is designed like a gun for easy handling in close quarters. It delivers air or gas at any temperature up to 700F at pressures from 5 to 40 p.s.i. Air is normally used as the heating medium, but Hot Jet can use carbon dioxide, nitrogen, or the like where an inert gas is called for. Steam and hydrogen can also be used, with proper precautions.

The control unit has a voltage adjuster with a calibrated, easy-to-read dial. A pressure-reducing valve adjusts the pressures supplied to the heater. The valve can operate from air or gas supplies having pressures as high as 300 p.s.i.

The electric and air cables that connect the heater to the control unit are treated to resist water, oil, and chemical action. The electrical circuit of the unit is rated at 450 watts at 115 v., a.c.

- Source: De Bell & Richardson, Inc., Hazardville, Conn.
- Availability: immediate.

### Light-Path for Sawing

Edgerlite, when used with a saw-mill edger, casts a line on the board to be cut and shows the path that the saw will follow. The device takes the guess work out of setting edger saws to get

the most efficient cut from the board.

Specially designed lights hung in the ceiling of the mill throw shadow lines onto the boards below. The lighting assembly is connected to the edging saw through a series of levers. Any adjustment in the position of the saw will automatically bring about a corresponding shift in the position of the projected shadow line on the board.

Edgerlite, the company says, allows savings in both the quantity and quality of the lumber obtained from the board.

- Source: Edgerlite, 21 Bennett St., Jersey City 4, N. J.
- Availability: immediate.

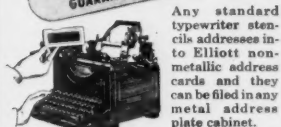
### Chemical Analyzer

Electro-Chemograph, Type E, helps determine the identity and quantity of chemicals in a solution minus the drudgery that comes with complicated control techniques. The instrument can be used for basic research in the drug, petroleum, and soap industries.

It analyzes the contents of a test sample, and automatically logs the data on a chart. It measures organic and inorganic impurities as small as one part in a million. Once a procedure has been worked out by the user for any solution, the Electro-Chemograph becomes an accurate and convenient quality-control tool.

The unit is a one-piece console model designed for fast electro-analysis of a solution. As a steadily increasing voltage is applied across the test solution, the instrument shows the current and voltage at which each substance is liberated from the solution. From these data,

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the type of substance and its amount are determined.

• Source: Leeds & Northrup Co., 4934 Stenton Ave., Philadelphia 44.

• Availability: immediate.



### Electric Hand Pump

A portable pump with the size, weight, and appearance of an electric hand drill delivers 40 gal. of water a min.

An electric motor drives the pumping section of the unit. The intake pipe is dipped into a liquid-filled barrel or container; the pump turns on when you press a trigger-type switch mounted on the pistol-grip handle. Water comes out of a T-connection on the side of the intake pipe. This connection is threaded to take a length of hose or pipe.

The pump is equipped with 15 ft. of Underwriters-approved electric cable. A ground lead connected to the cable prevents accidental shocks.

The manufacturer recommends the pump for use on jobs like cleaning out sludge pans on grinders, mixing liquids of high viscosity, or filling barrels in an oil refinery.

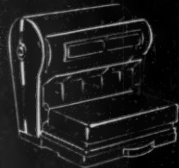
• Source: Meier Electric & Machine Co., Inc., 3525 E. Washington St., Indianapolis.

• Availability: immediate.

### P. S.

Thermo-Mat is a thin rubber mat containing an electric heating element; it's intended for use around the home. Thermo-Mat plugs into ordinary 115-v., 60-cycle house current. It's a product of Dan Morey, 814-A South Robertson Blvd., Los Angeles 35.

A packaged chimney unit is shipped complete and ready for installation by Van-Packer Corp. It's a tile-lined, reinforced, light-weight masonry chimney. The maker is at 135 S. La Salle St., Chicago 3.



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- Fan Housings*
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- Key Holders*
- Luggage Trays*
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- Radio Cabinets*
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## READERS REPORT:

### Pensions and Taxes

Sirs:

In discussing the contributory versus non-contributory issue in regard to pension and welfare plans, most people neglect to bring out the tax savings involved. In your article on the fourth round [BW—Sep.24'49,p100], you suggested a solution of giving the employees five cents an hour wage increase and five cents an hour pension and welfare benefits; everyone would be happy because the employees could turn around and spend the five cents an hour on contributions to the pension and welfare fund.

There is one factor that you overlook: For every dollar the employee has to contribute to the fund, he has to earn a dollar and seventeen cents. In other words, you would figure that on the five-cent increase he would have to pay at least 17% tax.

Many pension experts feel that this tax factor is a strong point for a non-contributory plan. I do not wish to take a stand on either side of the argument but I do feel that this tax factor should be considered.

CHARLES D. SPENCER  
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### More on Fire Bombs

Sirs:

The argument about who invented the oil-type incendiaries used on Japan [BW—Oct.1'49,p64] shows that both correspondents quoted have the notion that some superior features of the particular incendiary used were responsible for the destruction of its cities. It is understandable that chemical warfare and ordnance experts might feel that way about incendiaries—because it is the bomb and not the target which principally determines the damage in the case of high explosive bombs.

With incendiaries, however, it is the target which determines whether or not a particular incendiary is much good or not. Cities burn because they are combustible, and all a bomb has to do is be good enough to set them alight.

As a matter of fact, the oil incendiaries were developed as a substitute for magnesium incendiaries, and Dr. Russell and Standard Oil promoted them zealously. My personal opinion, and I have never been in a position to want to favor one bomb as against another, is that for Japanese city targets, the oil incendiaries, pound for pound, were inferior to magnesium incendiaries.

In 1932, the chief of the fire depart-

*the*  
**FRIDEN**  
*ultra-matic.*



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President, Chicago Agency

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## MIDWEST *Farm Paper* UNIT

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WISCONSIN AGRICULTURIST & FARMER • THE FARMER

ment of the German city of Königsberg wrote a book on how to burn cities with incendiary bombs. Fortunately, German ordnance experts and airmen paid little attention to him. I am sorry to say that, in spite of evidence at Coventry and Hamburg, both British and American airmen and ordnance experts were slow to get the idea that with incendiaries it is the target and not the bomb which determines results.

Understanding of this concept is particularly important in planning the defense of cities, as, if cities are combustible, it is possible to destroy them with small incendiary bombs. The destruction of cities by fire in atom bomb attacks also depends much less on the bomb than on whether or not the cities will burn.

HORATIO BOND

CHIEF ENGINEER,  
NATIONAL FIRE PROTECTION,  
BOSTON, MASS.

Sirs:

The records of the 43rd Bomb Group (Kens Men) 5th Air Force operating out of Clark Field, covering May to August, 1945, will disclose the use of the 50-gal. oil-drum homemade napalm fire bomb.

These bombs were made up in Manila from napalm and empty fuel drums and delivered to Clark Field ammo dump via the narrow-gauge sugar-cane railways.

The fuzes were inserted at the loading, with the safety pins being pulled just previous to arriving over the target.

Reports and pictures showed clearly that the area affected by these huge bombs almost eliminated the necessity for aimability. There seems to be little comparison between these and the M69-M70's.

We do not know who was actually responsible for the development of the drum bomb but we all, at the time, felt it was a touch of Yankee ingenuity and did much to make it hot for the Japs.

ROBERT N. MECHLIN

CPL. RADAR MAINTENANCE,  
THOMAS TAYLOR & SONS, INC.,  
HUDSON, MASS.

Sirs:

The argument between Col. Savell and Gen. Campbell as to who gets the credit for the idea of spraying people and their homes with fire strikes me as something that should not be overheard outside of an asylum for the criminally insane.

(Mrs.) LOUISE THOMAS

CHERRY VALLEY, N. Y.

### No Hotel Baseball

Sirs:

I enjoyed reading the story on Philadelphia's Broadwood Hotel [BW]—Oct.

# skylines... by Otis



*Charlotte*, North Carolina, is the focal point of a billion-dollar market that embraces 18 populous counties in two states and counts more than 1,250,000 persons within its limits. It is in one of the nation's fastest growing industrial sections. In addition, it is in a rich, progressive agricultural area where farms are now run on a modern owner-operation basis. From these farms and industrial centers comes a steady stream of people to Charlotte for shopping, entertainment, cultural advantages and service best available or only available in the Carolinas' largest city — which is served by 306 Otis elevators.

## LIFTING ONE INTO THE STANDS.

Ever look at Otis' batting average in the American League? We have an automatic elevator installation in the Yankee Stadium Club. It lifts hundreds of club members and their guests up to the mezzanine lounge and restaurant every game.



## WHERE WILL $3 \times 6 = 24$ ?

At 100 Park Avenue, New York City, where 18 Otis AUTOTRONIC Traffic-Timed ELEVATORS are being installed. They'll have AUTOMATIC and elecTRONIC supervision. They will give better service than 24 elevators with manual supervision.

## SANTA'S GETTING READY.

Last Christmas, while the shopping rush was at its climax, Santa took a critical look at department store traffic. He noticed that many customers left without completing their shopping — because they found it too difficult to reach the upper floors. So Santa is putting in a lot of Escalators to make shopping easy and comfortable.



If your building is to be served by only one freight elevator—it's doubly important to choose it for dependability. For every time it's down for repairs freight handling comes to a complete halt.



## ELEVATOR COMPANY

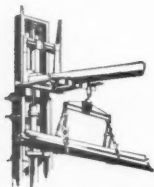
Home Office: 260 11th Ave., New York 1, N. Y.



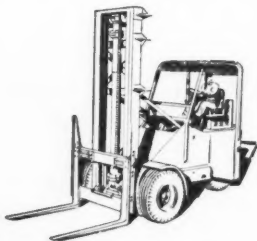
## simple as **ABC** with **ROSS Carriers**

Big-load transportation in and between plants need no longer be a problem! Now, the ROSS Industrial Carrier extends the benefits of unit-load handling to the farthest corners of plant and yard—and beyond. It increases the effectiveness and capacity of bridge cranes. It speeds movement of materials between areas served by fixed handling equipment. Load-length is no problem. It maneuvers fast in congested areas, on any surface. Self-loading and unloading, it requires only a driver.

Many plants know it's simple as A, B, C to solve big-load problems with ROSS Carriers. Capacities, 10,000 to 30,000 pounds . . . Write for details.



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Permits lift truck to be used as auxiliary crane. No interference with forks. Easily detachable. . . Other attachments: scoop, ram, snowplow, winch, side-shifter, slope-piler, etc.



**ROSS LIFT TRUCKS**  
. . . team-mates of the famous Ross Carriers. Capacities, 5,000 to 18,000 pounds.



**THE ROSS CARRIER COMPANY**  
300 Miller Street, Benton Harbor, Michigan, U.S.A.  
Direct Factory Branches and Distributors Throughout the World

1'49,p38]. Of special interest to me was this statement, "It had been the scene of . . . even professional baseball—the South Philadelphia Hebrew Assn. played their home games there on Saturday night."

Does this mean the Dodgers may take over the Waldorf for their games next season?

Of course, you meant basketball. Or did you?

JACK BARD

NATIONAL BROADCASTING CO., INC.,  
NEW YORK, N. Y.

• Of course. Use of the word baseball instead of basketball is a demonstration of what can happen when a Yankee rooter edits a story during an exciting pennant race.

### Purity in Richmond

Sirs:

Your article about Richmond's new government [BW—Sep.17'49,p76] made one serious statement which is not true, as follows, "and it had a reputation among the citizens for being highly corrupt."

I was the first president of the Richmond Citizens Association, which carried the ball in the charter change fight. Before we went into it, and during the campaign, nothing was said, or brought out, about a corrupt government, and it is not true.

It is my opinion you will want to correct this misstatement and do what you can to take away the stain you have placed upon the character of the men who held office before the new charter went into effect.

RICHARD H. HARDESTY, JR.

R. H. HARDESTY COMPANY,  
1509 BELLEVILLE ST.  
RICHMOND, 21, VIRGINIA

• BUSINESS WEEK is happy to record Mr. Hardesty's view that the civic government he helped oust was not corrupt. Corruption is a relative term; but the feeling among many Richmond citizens that their previous government left something to be desired may have been based on recent incidents such as the following:

(1) On Mar. 24, 1949, Grev P. Hulce, city treasurer from 1939 to 1949, pleaded guilty to misappropriating \$15,288.96 of public funds. The shortages, which developed over a period of years, were discovered early this year when the City Treasurer's office was audited for the first time.

(2) John D. Chandler, wartime head of Richmond's Bureau of Weights and Measures, was convicted in federal district court of conspiracy to operate a black market in gasoline ration coupons; he was given a prison term and was fined \$5,000.





## HERE'S A SELLING IDEA FOR YOUR 1950 CAMPAIGN

When you're planning your 1950 advertising campaign, you'll want to consider: "How will prospects know WHERE to buy our products?"

The 'yellow pages' in telephone directories can help to give you the answer through Trade Mark Service. That means your brand name or trade-mark is listed in the 'yellow pages' over a list of your dealers. Then, all prospects have to do is to pick up their telephone book and the 'yellow pages' will tell them what dealers carry your product. You can have that service throughout the nation... or in any specified localities.

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LATEST ISSUE OF STANDARD RATE AND DATA





## *Two Kinds of Steel Buying Confidence*

JUST as the phrase "Genuine Stainless Steel" has the uncompromising trust of Mrs. America, so the familiar "Sharon Steel" Diamond holds the utmost confidence of alert steel buyers the nation over.

The reasons are many — some like Sharon's noted "Johnny-on-the-Spot" service, others prefer Sharon because of the strict insistence that the steel they get is the steel they want. But, by-and-large, it is a combination of these qualities plus the ability of Sharon to furnish highest grade steels, constantly, at lowest possible prices that has satisfied most customers year in and year out for the past half century.



### **SHARON STEEL CORPORATION** *Sharon, Pennsylvania*

**SUBSIDIARY COMPANIES OF SHARON STEEL CORPORATION:** THE NILES ROLLING MILL COMPANY, NILES, OHIO; DETROIT TUBE AND STEEL DIVISION, DETROIT, MICHIGAN; BRAINARD STEEL COMPANY, WARREN, OHIO; SHARONSTEEL PRODUCTS COMPANY, DETROIT, MICHIGAN, AND FARRELL, PENNA.; CARPENTERTOWN COAL & COKE CO., MT. PLEASANT, PENNA.; FAIRMONT COKE WORKS, FAIRMONT, W. VA.; MORGANTOWN COKE WORKS, MORGANTOWN, W. VA.; JOANNE COAL COMPANY, RACHEL, W. VA.

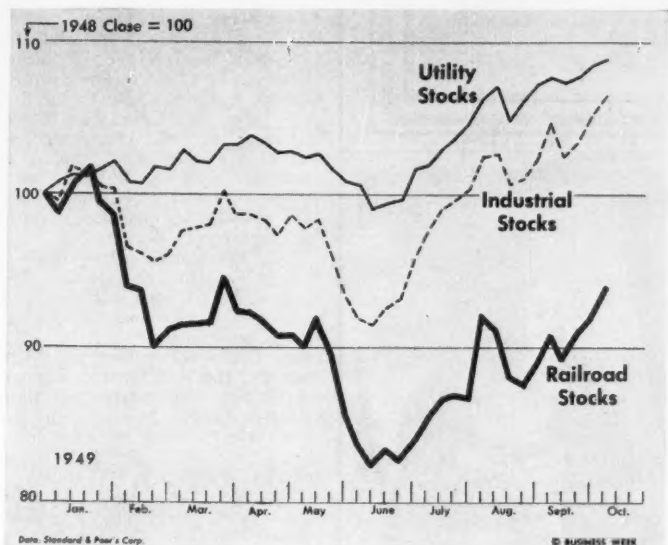
**DISTRICT SALES OFFICES:** CHICAGO, ILL.; CINCINNATI, O.; CLEVELAND, O.; DAYTON, O.; DETROIT, MICH.; INDIANAPOLIS, IND.; MILWAUKEE, WIS.; NEW YORK, N. Y.; PHILADELPHIA, PENNA.; ROCHESTER, N. Y.; LOS ANGELES, CALIF.; SAN FRANCISCO, CALIF.; ST. LOUIS, MO.; MONTREAL, QUE.; TORONTO, ONT.

# FINANCE

	First Eight Months % Change 1949 vs. 1948			Earnings per Common Share			Indicated Annual Dividend Rate
	Gross Revenues	Maintenance Charges	Net Earnings	In 1948	12 Months Through Aug. 1949	In 1949 (Est.)	
Atch., Topeka & Santa Fe...	-6.4%	+5.6 <sup>1</sup>	-26.3%	\$23.33	\$19.01	\$16.00	\$8.00
Atlantic Coast Line.....	-12.0	-4.5 <sup>1</sup>	-33.9	9.32	6.27	6.00	4.00
Baltimore & Ohio.....	-5.2	-3.7	-47.1	13.25 <sup>2</sup>	6.36	3.00	—
Chesapeake & Ohio.....	-9.7	-5.3	-20.9	3.72	3.16	2.95	3.00
Chic. Rock Island & Pac.....	-7.1	+2.6 <sup>1</sup>	-16.2	10.30	8.87	8.00	3.00
Erie.....	-12.8	+5.4 <sup>1</sup>	-76.9	4.09	1.70	1.00	1.00
Great Northern.....	+6.5	+11.8	-30.1	8.91 <sup>2</sup>	7.74	6.50	4.00
Illinois Central.....	-5.0	+2.2 <sup>1</sup>	-31.1	14.60	11.62	9.25	—
Louisville & Nashville.....	-11.7	-5.8 <sup>1</sup>	-43.6	7.91	5.83	4.50	3.52
New York Central.....	-7.0	-8.0	-68.4	2.28	1.13	0.75	—
N. Y., New Haven and Hart.....	-14.1	-10.6	-29.2	13.37 <sup>1</sup>	10.79	4.00	—
Norfolk & Western.....	-11.4	+4.7 <sup>1</sup>	-34.3	6.75	5.34	4.50	4.00
Northern Pacific.....	-0.01	+10.3	-61.3	4.96	3.92	3.00	1.50
Pennsylvania.....	-10.0	-4.5	-92.0	2.61	1.69	1.15	1.00
Southern Pacific.....	-8.4	+0.6	-49.1	10.27	7.50	7.00	5.00
Southern Ry.....	-13.4	-3.8	-52.5	12.52	7.51	5.25	4.00
Union Pacific.....	-9.4	+8.5	-46.1	14.24	9.91	8.50	5.00

<sup>1</sup>For first seven months; later figures not available. <sup>2</sup>On preferred stock. D—Deficit.

## Rail Income, Earnings Are Down ...



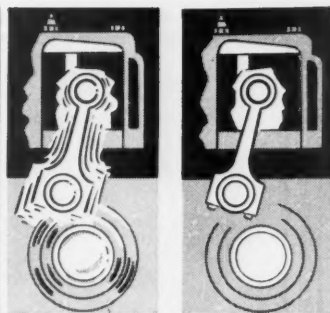
## But Some Stock Traders Are Hopeful

Most 1949 rail earnings are in sad shape—as the table above shows. But—as the chart below it shows—a lot of stock traders aren't impressed. And they're backing up their new faith in the future of rails with plenty of cash.

That fits in neatly with the ideas of the Dow theorists. They find more than ordinary significance in the recent price strength of rail shares. To them it has "officially" confirmed earlier bull-market signals given by the industrial

stock average. They are convinced that the rise in stock prices that started last June marked the beginning of a major bull-market move, not just an ordinary summer rally.

• **Bull Signal?**—But not all Wall Street thinks that way. The opposition camp says the only thing that the rail upsurge has done so far is to penetrate the high established last March during a temporary stock rally. These critics point out that the prices of most rail



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If you are looking for a less costly, quicker and easier way to control dimensions accurately, CHEK WITH SHEFFIELD. It costs you nothing to learn if you can "Sheffieldize to Economize."

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**The World is ...**

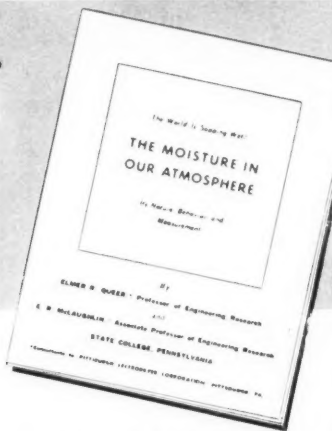
**SOPPING  
WET!**

This new bulletin gets technical about "The Water In Our Atmosphere". Tells many things you should know to help recognize and cure troubles caused by moisture. May we send you a copy?

Lectrodryers will solve many of your moisture problems. These efficient, dependable dryers remove every trace of moisture from air, gases and organic liquids. They've been proved dependable through the

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stocks, as well as the rail-stock index, must go a long way before they match their real 1949 peaks, established last January.

The industrial and utility averages, on the other hand, have been chalking up one 1949 high after another. And that's the genuine kind of bull-market signal the pessimists want to see in rails before they start cheering.

• **Traffic and Earnings**—But the technical picture isn't the only thing that bothers the soberminded analysts. They're quite as worried over the rail industry's recent traffic and earnings trend—and what lies ahead in the next few months.

Labor troubles in steel and coal have naturally cut a wide swath in carloadings and revenues. Last week, loadings dropped to only 574,228 cars. That was (1) almost 84,000 under the previous week, (2) 317,423 fewer than in the same week in 1948, and (3) 382,634 less than in 1947. As long as so many steel and coal plants remain closed, it's obvious that monthly rail-earnings statements are going to look pretty bad.

• **Long-Range Trend**—The sad part is that this has merely accentuated the unfavorable trend in rails. Actually, carloadings have been declining persistently for well over a year—though this year's higher freight rates have tended to conceal the fact. During the first half of 1949, carloadings slipped as much as 10% from 1948 levels. Back in June they were even running some 16% behind. And passenger revenues have been equally disappointing.

Early this summer (BW-Jul. 9'49, p78) it was estimated that full 1949 earnings of the Class I railroads would probably drop to around \$450-million or \$490-million—some 30% to 35% below 1948's \$711-million net. But since then the Wall Streeters who follow the rails have had to revise their estimates sharply. Now even the optimists aren't looking for much more than a \$400-million net, while others talk of \$350-million to \$375-million.

• **Differences**—Not all roads, of course, have been hit equally hard. The worst sufferers have been the major eastern trunk lines. They continue to be plagued by the short haul on much of their freight traffic, a heavy labor factor, high terminal costs, unprofitable suburban services. Some other factors—such as the constant diversion of high-tariff freight to trucks—only intensify the eastern roads' unfavorable position.

The transcontinentals and so-called agricultural carriers have been much less affected. This can be explained in large measure by the change that has taken place in the movement of freight traffic over the past decade—resulting from the big increase in the population along the Pacific Coast and the wartime ex-

pansion of industry into agricultural and grazing areas.

• **The 40-Hour Week**—There are some uncertainties about the 40-hour rail week that work on the side of the rails' Wall Street boosters. No one knows just how much the 40-hour week will cost, but early reports indicate that the burden isn't going to be so great as it seemed at first.

The Illinois Central thinks the new working schedule won't raise annual costs much more than \$500,000—as against its first estimate of \$14.5-million. The Erie has revised its earlier estimate of \$4.5-million down to about \$3-million.

Moreover, the 40-hour week introduced a factor that distorted the earnings picture in recent months. To take advantage of the longer work week, a number of rails stepped up their maintenance programs before the 40-hour deadline. That accounts for much of the recent year-to-year drop in individual earnings. And it could also mean reduced maintenance charges later.

• **Market Risk**—But these are temporary factors that don't really change the unfavorable long-range trends.

Freight traffic was having its troubles long before today's big strikes fouled up the works. When business slackened off, the drop in revenue ton-miles was sharper than that in general business activity. And in the general recovery since, loadings have lagged behind.

That's why a lot of Wall Streeters don't really think that rail stocks generally are underpriced today. They don't see any reason why rails as a group couldn't move higher with the general market if prices keep on rallying. But they still look on rail stocks as an inherent market risk. Only a few, they figure, are strong investment issues.

## SUIT AGAINST ROYAL LITTLE

Royal Little is on the griddle again. This week one of the stockholders of Textron Incorporated asked a federal court to make Little account to the company for alleged damages.

The suit concerns a subsidiary, Textron Southern, Inc., which acquired Gossett Mills of Anderson, S.C., in 1946 (BW—May 18 '46, p. 68). Textron stockholder David Fischman charges that part of the money for the purchase was raised by selling 400,000 shares of Textron Southern Class A stock at \$10 a share. Most of this stock, says Fischman, was bought by three charitable trusts controlled by Little.

Under Textron Southern's charter these shares are entitled to a 10% annual cumulative dividend, and have a liquidating value of \$15. Fischman says that gives these stockholders an unfair advantage over stockholders of the parent company.



## An orchid opened the president's door!



"For months our Sales Department had been trying to wangle an appointment, with no success. Finally, we wired a beautiful orchid corsage to the President's secretary."

"P. S. . . . We got the interview. And look! From now on, there is a new item on our Promotion Budget . . . FLOWERS-BY-WIRE!"

Your FLOWERS-BY-WIRE can be delivered anywhere within a few hours. Order only through an Official F.T.D. FLORIST who displays the Winged Mercury Emblem. That Emblem means we guarantee satisfaction.

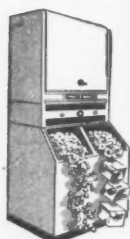
FLOWERS-BY-WIRE are perfect for promotions, company or personal anniversaries, important meetings, new offices and family events. They bring more warmth and friendliness into business relations!

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HOTEL MAN Conrad Hilton adds a . . . LANDMARK, the Waldorf, to his empire.



## Waldorf Joins Hilton Chain

Hilton Hotels Corp. buys controlling interest in celebrated New York hotel. At \$3-million, the deal looks like another of Hilton's "bargain" buys, as recent Waldorf profits show uptrend.

Last week a New York publisher's presses were running off copies of a book about Conrad Hilton, the hotel man. The name of the book was "The Man Who Bought the Plaza." Suddenly, the publisher had to scrap 7,500 copies of his brand new publication. Hilton had bought the Waldorf.

• **The Deal**—The president of Hilton Hotels Corp. announced that his group had bought 68% of the outstanding common stock of the Hotel Waldorf-Astoria Corp. The purchase brings the total number of hotels in the Hilton empire to 13, with over 12,000 rooms.

The Hilton group paid out about \$3-million, got 250,000 Waldorf shares from eight individual stockholders. Hilton himself, Hilton Hotels Corp., and Col. Henry Crown, a Hilton director, joined in putting up the money.

• **The Formula**—Hilton's hotel days started in Texas after World War I. In expanding, he has stuck to a general formula: (1) Pick an area that looks due for a boom; (2) buy or build when prices are low; (3) operate hotels economically but keep their individual character; (4) sell them when prices are high.

• **Expanding**—After his Texas venture, Hilton struck out for the West Coast. In 1939 he built a hotel at Long Beach, Calif. In 1942, he bought the Town House in Los Angeles—before the war boom hit the Coast. The same year, he says, he bought \$500,000 par value

Waldorf-Astoria bonds at 44% of par, sold them later at about 85% of par.

Apparently one coast wasn't enough. In 1943, Hilton moved to New York. He took over management (but not ownership) of Manhattan's Roosevelt Hotel, then bought the Plaza.

Next stop was Chicago. Here in 1945, he paid \$7.5-million for the huge Stevens Hotel, whose 2,700 rooms had been losing money consistently. He also bought Chicago's Palmer House. Besides these, he controls the Mayflower Hotel in Washington, D. C.

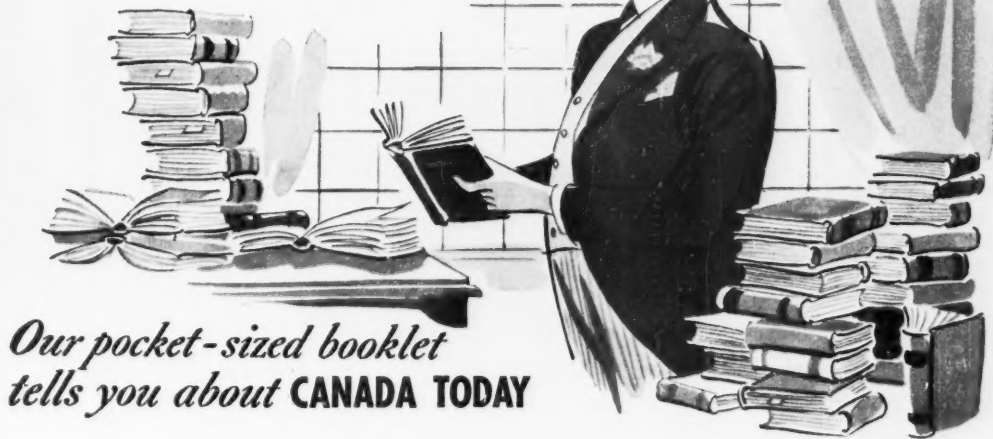
• **The Corporation**—In 1946, the Hilton Hotels Corp. was formed. Hilton Hotels now has about 1.6-million shares of common outstanding, of which Hilton owns about 25%.

Floyd Odlum's Atlas Corp. held a big block of shares for some time—about 134,000 shares. But it sold out nearly all its holdings early this year. Last month another investment company jumped into the picture: Robert Young's Alleghany Corp. bought 40,000 shares of common.

Hilton Hotels' earnings have fluctuated over the past three years. In 1946, they were about \$3.6-million. They rose to \$5.5-million in 1947, fell back to \$3.9-million in 1948. This year they were again dragging, with about \$1.9-million in the first half, as against \$2.1-million in the same 1948 period.

• **Bargain?**—The Waldorf buy may prove to be another of Hilton's bargain

Put away that reference library, Mr. Dillthrop...



If you're looking for information about that tremendous market north of the border . . .

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*asks Malcolm P. McNair, Professor of Marketing  
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**To keep them in step, Prof. McNair suggests, the distribution executive might well learn the machine-age lesson of modern industrial production.**

"U. S. goods are generally manufactured by machine, while they are still distributed by hand. Closing the gap is essential to a sound economy.

"To narrow the gap, we must (1) mechanize distribution equipment, and (2) improve and develop personnel. Efforts to replace distribution labor with machinery are still very limited."

---

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---

*\*Quoted in Business Week, January 29, 1949*

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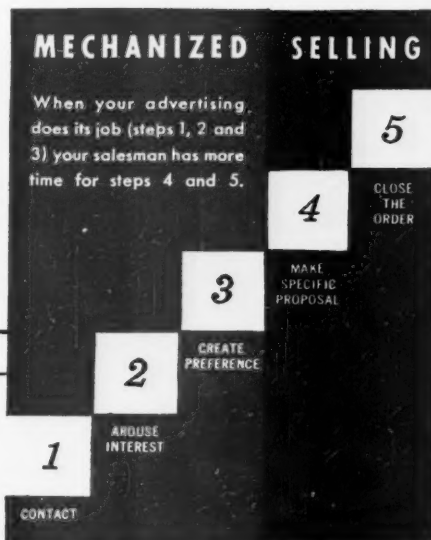
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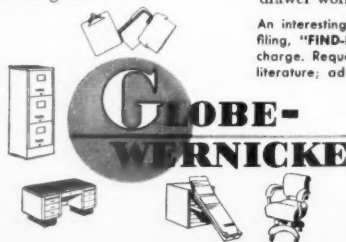


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deals. The \$3-million brought him control of a world-famous hotel that cost \$26-million to build and supply with furnishings in 1931.

The Waldorf's record tells why Hilton got it for his price. From 1932 to 1943 the hotel lost \$14-million. And profits since then have not been impressive (BW—Sep. 18 '48, p98). The stock has never paid a dividend.

On the credit side, the Waldorf's 1948 net was the highest so far—\$658,000. And the hotel made a profit of \$513,000 in the first half of 1949, as compared with \$494,000 in the 1948 period. Since the war, the percentage of room occupancy has been running as high as 93% or 94%—away above the 55% of the '30's. Bonded debt, in the form of 5% sinking-fund income debentures due in 1954, has been cut from about \$11-million to \$5.7-million.

• **Dealing in Air**—Because of a complicated real-estate setup, the hotel corporation does not own the hotel or its furnishings. For the Waldorf stands on land that belongs to the New York State Realty & Terminal Co., a subsidiary of the New York Central R.R. The Central's tracks run underneath the hotel; the road leases only the air rights to build aboveground. Both the Central and the New Haven R.R. put up part of the money for the building. For that reason, the New Haven also shares in the rental.

Although the Hotel Waldorf-Astoria Corp. put up the building, its right to use it expires when the air-rights lease runs out. The lease expires in 1956, with a right of renewal until 1977. If the landlord refuses to renew the lease in 1977, it must buy the corporation's right to use the building and equipment at the "then value."

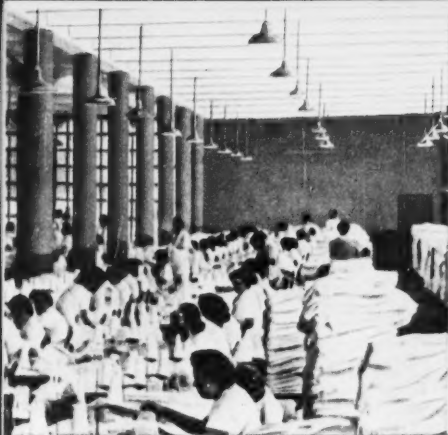
## FINANCE BRIEFS

**Stockholders** of the three mutual funds managed by Investors Diversified Services, Inc., appear to approve of the recent deal by which Robert R. Young's Alleghany Corp. took control (BW—May 7 '49, p87). They've just elected new slates of directors proposed for each by Alleghany.

**Electric utility** earnings (BW—Oct. 8 '49, p87) probably ran as much as 17% above year-earlier levels in the 1949 third quarter. Responsible for the rise: a 6% jump in gross revenues plus lower fuel costs.

**No World Bank** bond offering (BW—Jul. 23 '49, p64) is now expected until early 1950. It's not believed, either, that more than \$100-million of new bonds will be sold then.





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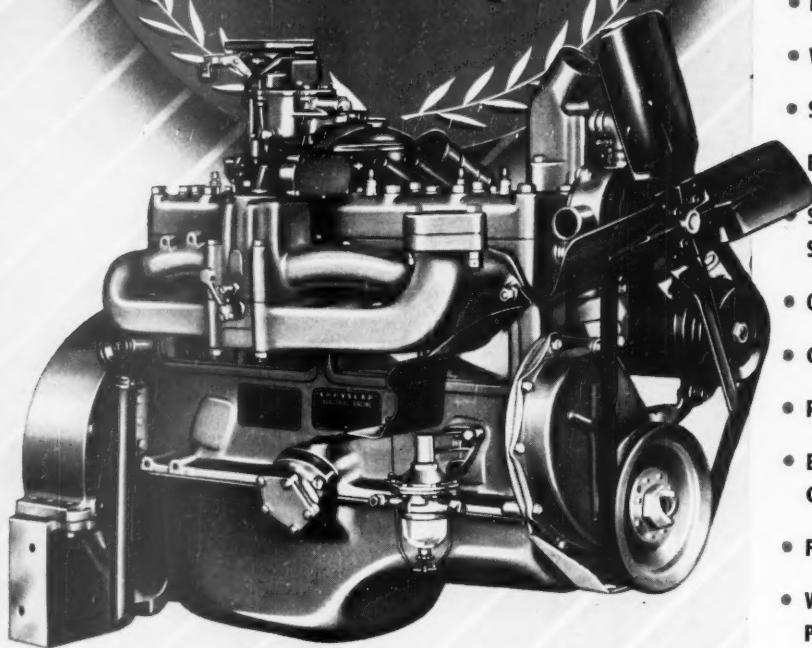
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## Keeshin Returns

Onetime head of Keeshin Freight Lines gets back in truck business with purchase of Hayes Freight Lines.

A pioneer in the trucking industry got back into business last week after four years in semiretirement. John L. Keeshin—together with an associate, David H. Ratner—bought Hayes Freight Lines, Inc. Keeshin's giant Keeshin Freight Lines, Inc., collapsed into bankruptcy 3½ years ago.

Reported price for the 23,756-mi. Hayes system: \$2-million.

• **Midwest Net**—The Hayes system, which serves 1,700 cities and towns in Illinois, Indiana, Ohio, Kentucky, and Tennessee, has been a family-held line since it was organized in 1884. It operates about 2,500 pieces of equipment, has 2,100 employees. Estimates of its gross revenue for this year run close to \$15-million.

Under its new owners, the system will operate as Keeshin-Hayes Lines, Inc. The company's present boss, Carl H. Oze, son-in-law of the founder, will stay on as a director.

Keeshin and Ratner plan to expand the coverage of the system by developing long-haul services between the principal cities on the line. And they intend to add about 200 refrigerated trucks to carry perishables.

• **Fight for Control**—Keeshin, along with Ratner, who is a former owner and operator of two Midwest contract-carrier services, also plans to continue his fight to regain control of Keeshin Freight Lines. The company is now being operated by trustees appointed by the U. S. district court. Last month Federal Judge Walter J. La Buy rejected two reorganization plans for the company, one which was presented by the trustees, the other by Keeshin and Ratner.

If Keeshin could get his old company back, he would be able to operate his truck fleets in the eastern states and in Wisconsin, Minnesota, and Iowa, as well as in the territory covered by the Hayes system.

When Keeshin resigned as president of Keeshin Freight Lines, he was one of the largest individual truck operators in the country. His system had 2,000 trucks and 3,200 employees. But it had almost as many financial problems. Most of them went back as far as 1940, when the company got permission from the Interstate Commerce Commission to issue \$2,850,000 worth of notes to such creditors as Baltimore & Ohio R. R. Co., Socony-Vacuum Oil Co., and Standard Oil Co. (N. J.).



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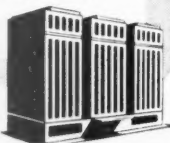
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# THE MARKETS



## Penny Stocks Spurt Ahead

They account for a lot of the market's recent activity, indicating that speculators are in the picture again. Coal and steel strikes fail to put damper on Wall Street.

The best thing about the stock market for the past couple of weeks has been the way it has refused to let the coal and steel strikes frighten it (page 9). Traders are still betting that both ticsups will end before they do any fundamental damage to business.

• **Flags**—But that isn't the only hopeful sign that the bulls can find. If you look at the way the different stock groups have been behaving, you will see several other bullish flags flying.

Take, for example, the way low-priced stocks have spurted ahead in the past two weeks (chart). Low-priced shares have accounted for a lot of the market's activity lately (BW-Oct. 15 '49, p104). They have also scored some pretty impressive gains since the low-water mark last June.

• **Penny Arcade**—Low-priced stocks are the favorites of the speculators. That's true not only because they are cheap, but also because they move faster than the blue-chips.

A boom in the penny arcade is a sure sign that the speculators are coming in again. And the speculators are the ones who make a real bull market. (They make bear markets, too, but that's another story.)

When the market took a dive last spring, the cheap stocks were hardest hit. Standard & Poor's index of low-priced shares dropped about 17% from early April to mid-June.

• **Pace-Setters**—In the long rally this summer and fall, the low-priced stocks have been setting the pace. The average has now made up all its losses since

## Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
<b>Stocks</b>				
Industrial	154.91	156.2	148.2	160.5
Railroad	39.8	40.3	37.8	49.1
Utility	78.9	79.5	77.1	71.5
<b>Bonds</b>				
Industrial	100.1	99.7	99.3	95.3
Railroad	82.3	82.2	82.0	86.0
Utility	99.2	99.0	98.5	94.7

Data: Standard & Poor's Corp.  
† Revised



the beginning of the year. And this week it had almost overtaken the gains already scored by the slower-moving high-grade issues.

But, as any broker will tell you, speculation isn't what it once was. And this week, the Federal Reserve Board came up with some figures to prove it.

The latest instalment of its Survey

of Consumer Finances covers ownership of non-liquid assets. It shows that only 8% of all U.S. consumer spending units own corporate stocks. By contrast, 77% hold life insurance, and 45% own a home or farm. The main reason consumers gave for shying away from common stock was "not familiar with." But 28% said flatly "not safe."

## The 1949 Bull Market: Boxscore to Date

—Standard & Poor's Weekly Indexes (1935-39=100)—

Stock Group	June 15, 1949	Subsequent Range		Oct. 11, 1949	Rally Gain To Date
		High	Low	1949	
Paper.....	218.5 <sup>3</sup>	303.8	223.8	303.8	39.0%
Leather.....	58.9 <sup>2</sup>	81.7	58.9	81.7	38.7
Utility holding companies.....	116.9	151.0	120.0	151.0	29.2
Soft drinks.....	108.9 <sup>2</sup>	137.0	109.9	136.1	25.0
Fertilizers.....	188.3 <sup>2</sup>	234.6	193.5	234.6	24.6
Low-price common stocks.....	102.4 <sup>2</sup>	127.4	104.1	127.4	24.4
Distillers.....	249.9	310.7	258.5	310.7	24.3
Soaps, vegetable oils.....	126.2	154.3	125.0	154.3	22.3
Automobile.....	106.4	129.8	107.4	129.8	22.0
Radio broadcasting.....	112.9	138.7 <sup>2</sup>	108.7 <sup>2</sup>	137.4	21.7
Building materials.....	101.0	121.4	102.6	121.4	20.2
Oil.....	148.4 <sup>2</sup>	175.0	150.3	175.0	17.9
Textiles.....	193.3	227.3	200.0	227.3	17.6
Dairy products.....	172.4	202.7	172.4	202.7	17.6
Chemicals.....	121.9 <sup>2</sup>	143.2	124.4	143.2	17.5
Agricultural machinery.....	108.0	128.1	108.9	126.7	17.3
Mail order, general chains.....	162.8	190.9	166.6	190.9	17.3
Finance companies.....	97.0	113.8	97.1	113.8	17.3
Printing, publishing.....	98.1	115.5	102.5	115.0	17.2
Office, business equipment.....	140.2 <sup>2</sup>	164.2	141.0	164.2	17.1
Steel.....	104.6 <sup>2</sup>	122.5 <sup>2</sup>	105.4	122.5	17.1
Motion pictures.....	144.9	168.5 <sup>2</sup>	146.9	167.6	16.5
Food chains.....	181.0	210.9	183.5	210.9	16.5
Industrial, electronics.....	122.2	145.1	115.0 <sup>2</sup>	142.3	16.4
All industrial stocks.....	115.6 <sup>2</sup>	134.4	117.2	134.4	16.3
Air transport.....	201.5	238.2	210.0	233.7	16.0
Coal.....	190.9 <sup>2</sup>	221.4 <sup>2</sup>	194.3	221.4	16.0
Consumer goods stocks.....	115.3 <sup>2</sup>	133.4	116.9	133.4	15.7
Shipbuilding.....	157.2 <sup>2</sup>	194.2	164.4	181.8	15.6
Department stores.....	178.6	206.5	181.4	206.5	15.6
Baking, milling.....	151.2	174.6	151.3	174.6	15.5
Capital goods stocks.....	103.4 <sup>2</sup>	119.4	104.7	119.4	15.5
Gold mining (U. S.).....	65.1	75.1	64.8	75.1	15.4
Sugar.....	79.7 <sup>2</sup>	92.5	81.1	92.0	15.4
Auto parts, accessories.....	96.5 <sup>2</sup>	114.8	98.5	111.4	15.4
Machinery.....	97.3 <sup>2</sup>	113.1	98.6	112.0	15.1
<b>Composite Index.....</b>	<b>110.7<sup>2</sup></b>	<b>137.4</b>	<b>104.7</b>	<b>137.4</b>	<b>18.1</b>
Railroads.....	87.0 <sup>2</sup>	99.1	87.4	99.1	13.9
Household supplies.....	89.2 <sup>2</sup>	102.2 <sup>2</sup>	89.6	101.1	13.3
High-grade common stocks.....	108.7	122.2	109.9	122.2	12.4
Confectionery.....	112.2	126.5	112.8	125.9	12.2
Shoes.....	106.9 <sup>2</sup>	119.7	109.1	119.7	12.0
Tobacco products.....	81.7	91.4	82.4	91.3	11.8
Electrical equipment.....	87.3	97.2 <sup>2</sup>	86.3	97.2	11.3
Mining, smelting.....	70.3 <sup>2</sup>	79.5 <sup>2</sup>	70.4	78.2	11.2
Meat packing.....	106.5	117.6	105.7 <sup>2</sup>	117.6	10.4
Copper.....	99.0	113.8 <sup>2</sup>	99.2	108.9	10.0
Utility operating companies.....	97.1	106.8	96.2	106.8	10.0
Lead, zinc.....	86.5	99.9 <sup>2</sup>	86.9	94.9	9.7
Aircraft manufacturing.....	96.8	108.0 <sup>2</sup>	96.3 <sup>2</sup>	105.5	9.0
Glass containers.....	92.4	101.6	91.7	100.6	8.9
Natural gas.....	167.3	183.9	166.2 <sup>2</sup>	181.7	8.6
Metal containers.....	70.5	76.9	71.0	76.4	8.4
Shipping.....	359.6	389.4	359.6	389.4	8.3
Railroad equipment.....	74.8 <sup>2</sup>	82.6 <sup>2</sup>	75.3	80.9	8.2
Metal fabricating.....	92.5	100.4	93.8	99.0	7.0
Tires, rubber goods.....	157.0 <sup>2</sup>	174.7 <sup>2</sup>	158.8	167.6	6.8
5¢, 10¢, 1¢ chains.....	123.5	133.4	126.1	130.7	5.8
Telephone, telegraph.....	87.4	92.0 <sup>2</sup>	87.3 <sup>2</sup>	91.3	4.5

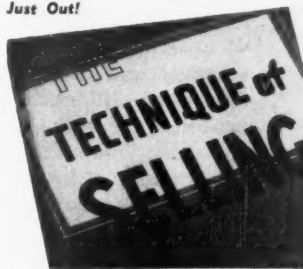
<sup>1</sup> All new 1949 highs except when marked otherwise. <sup>2</sup> 1949 low. <sup>3</sup> Not new 1949 high; peak was registered earlier in year.

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# MUDDLING

## in High Places

**I**t is time for men in Washington and London to stop toying with the problem of international trade. We of the democratic West are at a turning point in our economic affairs. A false step by either the United States or Britain could lead quickly to disintegration of trading between the people of the world as we have known it for the past hundred years. Recent meetings of diplomats in London and Washington have not lifted us out of this danger.

By two simple tests you and I can measure the sincerity of the men in Washington and in London who are trying to solve what they call "the dollar crisis."

**One test applies to the British: Is Britain making an honest effort to re-establish itself as a real competitor in world markets?**

**The other test applies to us in the United States: Are we willing to see Britain re-emerge as a strong competitor in world markets—even in our own home market—and to help her do so?**

**Today, even though both countries have faced the devaluation test, the answer to these questions probably is no.**

### I

The situation we face is, in fact, unprecedented. In every important industrial country of the non-Communist world, except Germany and Japan, production is above prewar volume, thanks largely to the Marshall Plan. Yet trade between nations is shackled as it has never been since the 18th century. And the shackles grow day by day. What is worse, two distinct trading areas—the dollar area and the

sterling area—have grown up in the non-Communist world, and the gulf between them grows wider.

What kind of leadership have the United States and Britain had in the face of this crisis? President Truman late in August wisely checked the trans-Atlantic bickering over the dollar crisis. *But Mr. Truman showed no awareness of the basic question that the American people must soon decide: Is the United States able and willing to generate trade between nations, as Britain did in the 19th century?*

What have British leaders offered us? Foreign Secretary Bevin and Chancellor Cripps called their September visit to Washington "one of the most important missions in history." *But they did not tell the British people, and perhaps do not admit themselves, that their Labor government must change its internal and external policies if Britain is ever to earn its living in a competitive world.*

Admittedly, the problem Britain has faced since 1945 is a colossal one. But, in the face of its grave difficulties, what has Britain done? The working day was shortened. Welfare economics have run riot. High taxes have sapped incentives. Labor and capital have clung to their prewar psychology of cartels and featherbedding. Government controls and government trading have hamstrung private initiative. Nationalization schemes have injected politics into the struggle for industrial recovery.

Thus the policies of the Labor government have made Britain's adjustment to its new position in the world immensely more difficult. But Americans who attribute the danger of an international breakdown to British socialism greatly oversimplify the problem. Virtually every country in the world, socialist or not, faces the same dollar crisis that Britain faces.

*continued on next page*

We Americans must recognize that our economic strength unbalances world trade as does Britain's weakness. World War II increased America's superior power to produce goods. It also made the United States more self-sufficient. Thus, while the world demand for American goods has risen, our demand for foreign goods, except for basic raw materials, has not increased. Today we sell more to every major area of the world than we buy from it—and yet we wonder why there is a dollar crisis.

**It is time for us to recognize that there are two fundamentally conflicting pressures at work in the United States. One is our desire for a big surplus of exports over imports. The other is our desire for a system of free-wheeling trade around the world. We can not have both unless we as taxpayers wish to subsidize our exports. Which do we want?**

Curtis E. Calder, chairman of the International Relations Committee of the National Association of Manufacturers, says, "The battle of the foreign trade gap is essentially that of reconciling our urge to export our surpluses with a reluctance to accept imports in payment for them . . . The dilemma is an uncomfortable one to face."

## II

**Here, then, are the basic questions that confront men in Washington and London. Does Britain really want expanding world trade or a high-cost welfare state? Does the United States really want expanding world trade or a huge surplus of exports? So far politicians in Washington and especially in London have ducked these issues because they are political dynamite.**

If the people of Britain decide they want to regain their position as a competitive trader in expanding world markets, here are specific objectives that men in London should set for themselves:

1. *Lower government costs.* The British Treasury has asked for cuts of 5% in 1950. But a cut nearer 15% will be necessary, even if that means fewer government subsidies and health services. Enterprise will never revive nor costs come down while taxes take 40% of the British national income, including roughly 60% of business profits.

2. *Fewer government controls.* Only by removing controls and allocations (except on a few necessities) can Britain begin to return to prices fixed by competition rather than by government fiat.

3. *Stronger anti-monopoly legislation for both business and labor.* Britain needs a concerted drive

against all forms of restrictive, high-cost practices. This drive should put teeth in the anti-monopoly act and supplement it with legislation to end restrictions imposed by trade unions.

4. *Less restrictive trading practices.* Britain should retreat gradually from its international barter between governments if competition is ever to have free play in international trade.

Meanwhile, if we of the United States sincerely want multilateral world trade, men in Washington must face up to four problems and hammer out workable solutions:

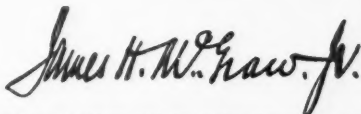
1. *Use of the International Monetary Fund to back a devalued pound.* In time the Fund, in which we have the controlling voice, might be used to promote convertibility of pounds into dollars.

2. *Help for Britain in meeting war-created external debts.* This might mean support for London in getting a reduction of the war debts Britain owes India, Pakistan and Egypt, for example. To achieve such a debt reduction for Britain we might have to underwrite a part of a Southeast Asia recovery program.

3. *Encouragement of American investments abroad.* Such investments should be directed primarily into enterprises which will earn dollars, such as the development of new sources of raw materials, or which will raise productivity abroad.

4. *Our own tariff barriers.* Our attitude toward this critical issue will be the acid test of how deeply we believe in the merits of free world competition.

**If we really want free, competitive trading between the people of the world, these issues must be met and resolved by leaders on both sides of the Atlantic. If we do not want to face these issues, then let us resign ourselves to a world walled off into three trading areas: the Communist bloc, the sterling area, and the dollar area. So far, Washington and London have muddled along, except in facing the devaluation problem. Clarity and courage are still needed.**



President, McGraw-Hill Publishing Company, Inc.



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## LABOR



PICKET LINES form at Alcoa plant in new pension demand.

## New Strikes by Steelworkers

C.I.O. steel union calls 14,000 Alcoa workers off job in dispute over wages, pensions, and insurance. This brings strike idleness well over 1-million mark. U.S. seeks coal peace.

Labor pushed its fight for employer-financed pensions into the steel-fabricating and aluminum industries this week. New strikes (the largest against Aluminum Company of America) raised the number of workers directly involved in walkouts to well over 1-million. Add those who were laid off by coal and steel shortages, and the total was much higher.

• **No Peace Omens**—At midweek, coal and steel settlements seemed stymied.

In steel, union officials devoted most of their time to tightening strike lines for an expected long tieup and getting set for C.I.O.'s annual convention. The steelworkers' top officers are due in Cleveland next week for pre-convention meetings, will be there at least until Nov. 5. So there's little chance of top-level bargaining for two weeks.

Meanwhile, government conciliators continued to meet with steel management and union spokesmen, with no signs of progress. It looked more and more as though the steel settlement was going to wait until the coal tieup ends (BW—Oct. 15 '49, p. 21).

In coal, bituminous mine operators and John L. Lewis met again, at government urging, to try to end the five-week coal shutdown. But they, too, reported

"no progress." Both sides admit they are so far apart that there is no real point in going on talking now—but neither wants to call off "bargaining" in the face of government watchfulness and public anxiety.

Lewis gave last week, for the first time, an estimate of what his 1949 contract demands would cost: 35¢ additional for every ton of coal mined.

Operators called this a "fantastic" figure—an objective "impossible of attainment." They want to continue terms of the 1948-49 contract for two years—but without Lewis' "willing and able" clause, which lets him shut down mines whenever he wishes.

• **Intervention?**—So far, the government has stayed out of the coal struggle. But now reserves are beginning to go down fast. The government may move in with a fact-finding board or seizure.

One big catch is holding the government up: Lewis already is on record as refusing to have anything to do with an extra-legal board—like the one in the steel dispute. If there's to be fact-finding, he warns, it must be under the Taft-Hartley law. For political reasons, the White House is steering clear of using T-H so far in current strikes.

• **Alcoa Struck**—In the meantime, the C.I.O. Steelworkers extended their walk-

out to steel fabricators whose contracts began running out on Oct. 15. And the union called 14,000 members off their jobs in nine Alcoa plants. Sixteen other Alcoa plants kept on operating. The Alcoa dispute, like steel's, involves pensions. But here's a difference.

Steel companies won't accept a non-contributory pension and insurance plan even in principle—although they're willing to ante up 10¢ an hour for a program in which employees share the cost.

Alcoa will go along with a noncontributory pension and insurance program; it's willing to meet the 10¢-an-hour cost recommended by steel fact-finders. The company already pays about 5¢ an hour for pensions, 2¢ an hour for insurance, under noncontributory plans. Hence, it would have to pay only 3¢ an hour more to meet the fact-finding recommendations.

The union might take this, but—and it's a big but—Alcoa also wants to follow the example of Ford Motor Co. and link pensions with social-security benefits. It wants the right to "adjust" future pension and insurance contributions if and when the government boosts benefits. The union flatly rejects this.

## Old Strikes End

There was good news—along with the bad—on the industrial-relations front this week. Three tieups, including two of the year's longest and toughest, ended. This eased, a little, the impact of walkouts in the aluminum and steel-fabricating industries (page 94).

Here are work stoppages that ended:

**Singer Sewing Machine Co.** Some 7,500 production workers in Elizabeth, N. J., who had struck last May 2, went back to work. Another group of 1,500 workers at the company's Bridgeport plant had ended their walkout two weeks earlier. Both groups are represented by the United Electrical, Radio & Machine Workers (C.I.O.).

**Bell Aircraft Corp.** This strike by 1,700 production workers in Niagara Falls, N. Y., started June 13. The workers are members of the United Auto Workers (C.I.O.).

**International Harvester Co.** Its Chicago plant had been closed for 24 days by a walkout of 4,600 production workers. They are members of the Farm Equipment Workers (C.I.O.).

### I. Cave-in at Singer

The big issue in the Singer strike was a union demand that the company drop its incentive-pay plan (BW-May 14 '49, p106). U.E. called it a "speedup plan—unfair for older workers."

Singer refused. The incentive system



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But you wouldn't see, for example, the more than 4½ billion dollars paid last year to 1,325,000 railroad employees who live in towns and cities all over the United States.

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had contributed a lot, the company said, to Singer's long record of good labor relations. (The U.E. strike was the first in the company's 76 years.)

The impasse dragged through nearly five months. At last the Bridgeport workers called it quits. That left the Elizabeth local in an untenable position; it had to settle, too. So it accepted contract terms that were essentially the same as those that the company had offered in pre-strike bargaining.

• **Incentives Continue**—The incentive-pay plan stays. Neither the system itself nor the “norm” on which pay is computed will be altered—but the company agrees to let an impartial umpire decide any future grievances over bonuses.

U.E. also lost its demand for higher wages. Basic pay remains the same. But some workers who don't come under the incentive-bonus plan will get increases ranging from 2¢ to 6¢ an hour.

The new contract runs for one year, to Oct. 16, 1950.

## II. Arbitration at Bell

The Bell Aircraft tieup followed a breakdown in wage negotiations. U.A.W. called out 1,700 members and with them shut down the plant which normally employs 3,000. For three months, sporadic violence outside the plant kept heavy county police forces on the alert.

Three weeks ago, New York's Gov. Thomas E. Dewey intervened. A “board of inquiry” was named to study the dispute. By the time hearings started, original issues were overshadowed by a flock of new ones—byproducts of the bitterness between the parties.

Fact-finders headed by Chancellor Edmund Ezra Day, of Cornell University, cut through the barrier of new issues. The company and union agreed to submit all points in dispute to binding arbitration—with the board sitting as an arbitration panel.

## III. Postponement at I-H?

The International Harvester strike was called in Chicago on Sept. 16. At issue were demands for a pay boost, pensions, and a welfare plan. Last week, the F.F.W. called the walkout off because the steel strike “has placed us in a position where we are unable at this time to bring economic pressure on the company.”

The union isn't signing a new contract with I-H, or giving up its hopes for contract increases this year. Hence, the end of the strike may be only a postponement of pressure against I-H—or a tactical move by the union to let its strikers collect unemployment compensation during the steel tieup, if and when a steel shortage forces I-H to close up.



## PICTURE REPORT



U. S. SEEKS COAL PEACE at meetings of Cyrus Ching (left), chief federal mediator, William Margolis (center), a top aide, and John L. Lewis. Meanwhile . . .

## It's Fun—But No Pay—for Miners



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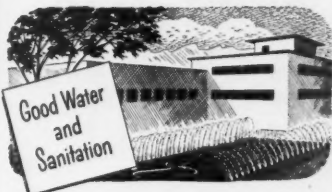
of their daylight time in the coal shafts, the work outdoors is a welcome relief. And idle time also is time for . . .



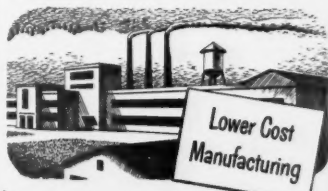
GOING FISHING in country streams or hunting on crisp autumn days. It's fine for a while, but already many miners who have been on short pay for months are anxious for mine whistles to blow again. So pressure for a coal peace is growing daily.

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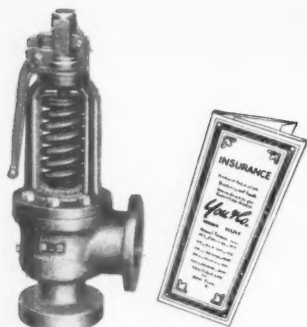


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Want to see what "clues" looks like? Just turn to page 110.

## More for Fewer

**Congress finally boosts minimum wage to 75¢. But workers not "directly essential" to commerce no longer covered.**

The 75¢ minimum hourly wage reached President Truman's desk this week. And hundreds of thousands of workers were on their way out from under the wage-hour law's protection.

Congress raised to 75¢ the 40¢ minimum wage which has been the general rule in industry since 1942. The amendments to the Fair Labor Standards Act will go into effect 90 days after Truman puts his signature to them, or about the end of January. And, on that day, some of the 22.6-million workers now covered by the law will be excluded.

• **Change in Language**—Just how many cannot be determined. But it will be somewhere between the 200,000 the Senate would have knocked out and the 1-million the House wanted to exclude. And many cases will have to be decided by the courts.

It all depends on how the courts interpret the meaning of two words: "directly essential." For the compromise reached by the Senate and House conferees makes the law apply only to jobs "directly essential" to the production or handling of goods for interstate commerce. The present law uses the term "necessary." So the workers who will be excluded are those who are necessary, but not directly essential.

• **Uncovered**—Congress says that what it has in mind is that the bill will no longer apply to marginal employees of such businesses as: local stores whose customers produce goods for commerce; contractors who repair private homes leased to their workers by companies engaged in interstate commerce; caterers who operate restaurants in factories; a local independent nursery maintaining a lawn around a plant that produces for interstate commerce.

Among the types of employees still covered by the law are maintenance, custodial, and clerical employees of manufacturers, and employees who repair or maintain factories or tools used in manufacturing.

These cases are specifically mentioned by Congress as examples of what it had in mind by the words "directly essential." But there will be many situations not mentioned which will have to be interpreted by the courts.

• **Other Provisions**—In addition to workers excluded by the law's language, Congress wrote some new exemptions right into the law. They include: irrigation workers, employees of taxicab companies, employees handling tele-

graph messages in a retail store, certain employees in forestry and logging operations, newsboys. Existing exemptions are liberalized for retail and service establishments, small newspapers, and small telephone exchanges. Airline employees are brought under the minimum-wage requirements, but remain exempt from the 40-hour-week overtime rule.

Employment of child labor is expressly forbidden.

The meaning of "regular rate" of pay is clarified. Those fringe payments that are excluded from the regular rate on which overtime is based are listed.

• **New Authority**—One major change: The bill gives the wage-hour administrator new, but restricted, authority to sue for wages due workers under the law. He can sue only on written request of an employee, and only on points already settled by the courts. In other words, the administrator may not appear in test cases, nor may he bring "class actions" for a group of employees. In suits in which the administrator takes part, the employer may not be held liable for liquidated damages (double the amount due) or for attorney fees. Under the law, employees may still sue as individuals.

## A.F.L.-C.I.O. Teamwork Gets Swift Contract

Swift & Co. and its packinghouse unions settled their fourth-round wage dispute this week—shortly after A.F.L. and C.I.O. unions agreed, for the first time, to bargain as a team with a major employer (BW—Oct. 15 '49, p. 113).

The new contract does not provide an across-the-board wage increase, although the unions claim that it will boost pay of 80% of Swift's employees by 1¢ to 15¢ an hour. The raises will come through higher job-rate differentials, and changes in the differentials between outlying and city plants.

The contract runs to Aug. 11, 1950, but has a Feb. 15, 1950, reopening on wages. Money provisions in the agreement are retroactive to Sept. 12.

Unions entering into the contract with Swift are the Amalgamated Meat Cutters & Butcher Workers (A.F.L.), the United Packinghouse Workers (C.I.O.), and the Independent Brotherhood of Packinghouse Workers.

• **Pattern**—Union officers said that the collaboration will continue in immediate negotiations with others of the Big Four companies—Armour, Wilson, and Cudahy. The unions will try to get the Swift terms from all three, as well as from smaller packers. Ordinarily, what Swift does is a big factor in setting the industrial-relations pattern for the entire meat-packing industry.

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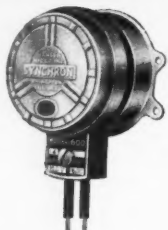
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## Reuther Victory

Despite some strong opposition, U.A.W. head is almost sure to get members' approval for Ford pension plan.

Approval by company workers of the Ford Motor Co. pension plan (BW-Oct. 8 '49, p. 88) next week will be a personal triumph for Walter Reuther. For Reuther has faced stiff opposition to the plan within the U.A.W. (C.I.O.), ever since it was announced.

• **Dissension in Ranks**—Most of the protests, it's true, came from anti-Reuther ranks. But even some of Reuther's supporters lined up against the plan. And that seemed to spell serious trouble.

Some of the complaints: (1) The Ford outlay for pensions provides only about one-half as much as the union originally asked for (insurance and wage-raise demands were abandoned); (2) the pension plan is frozen for five years; and (3) the contract, which runs for 30 months, contains a company-security clause that many members don't like.

At first, criticisms were scattered. But when, within a week, Congress took up a plan for a substantial extension of old-age benefits, the protests spread. Membership blocs throughout the union picked on one significant fact: As federal grants go up, the Ford share in pensions goes down (BW-Oct. 15 '49, p. 114).

• **Cause for Worry**—The complaints took form for the first time at a Ford Council meeting. Delegates from Ford U.A.W. locals approved the new contract by only a 2-to-1 vote. Customarily, such votes are nearly unanimous. The size of the dissent started worries in the Reuther ranks—and in company offices—over whether the rank-and-file would back up the settlement.

But the deep-seated factionalism in U.A.W., so often a Reuther headache, in this case proved an unexpected boon. Pro-Communists in the union assailed the new agreement from all quarters. The result: Wavering Reutherites, fearing identification with the left, switched sides.

• **Still Some Blasts**—Just the same, opposition was still evident. Tommy Thompson, president of Ford Local 600 (which represents more than half of the entire Ford payroll), damned the contract with faint praise. His weekly column in the local's newspaper called the pension pact inadequate; but it admitted it was the best possible under the circumstances.

Thompson took an oblique thrust at Reuther, charging he was outsmarted at the bargaining table.



**FORD LOCAL HEAD** Tommy Thompson hedged on pension plan as "best . . . under circumstances."

Thompson and Reuther parted political company last spring. In part, that accounts for his position on the Ford contract. It's good strategy. His editorial put him in a position to go along with an approval vote from members—or to capitalize on a rejection.

There were discordant notes from other sectors, too. In Flint, Chevrolet Local 659 urged Ford workers to turn down the pension plan. Comparatively few locals went on record for the settlement—but that's not so unusual.

• **Reuther Fights Back**—Meanwhile, Reutherites got down to hard work. The union newspaper called the settlement a genuine gain. It gave U.A.W. credit for arousing Congress to act on federal pension needs. International organizers buttonholed key plant stewards and individual workers to ask contract support. Even Reuther laid aside pre-C.I.O. convention work to campaign for ratification.

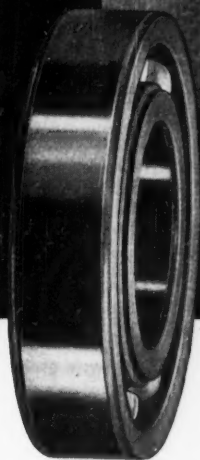
First votes from outlying plants were lopsidedly in favor of the pension plan and new contract. In some of the locals, with several hundred members, "no" votes ran only about 1% of the total vote cast.

But the decision for or against the contract isn't made in the small-plant locals—it's made in voting at the Rouge. Balloting there ended this week. Unless all signs fail, it will back up the Reuther people who negotiated the Ford pension contract.

• **Chrysler Standstill**—Meanwhile, efforts to get a similar pension program at Chrysler have been at a virtual standstill. Reuther forces wanted to be sure that Ford workers would accept the contract before going out on another limb at Chrysler.

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## A.F.L. Set for 1950

All member unions are now united for political action as last two big holdouts—the carpenters and boilermakers—fall in line.

The American Federation of Labor is now united—physically, financially, and philosophically—in its political-action program.

• **Holdouts in Line**—Last week, the last of A.F.L.'s ultraconservative elements quit their opposition to the federation's political arm: Labor's League for Political Education. They came neatly, and completely, into line with L.L.P.E.'s plans for 1950 and 1952.

The last two important holdouts were William Hutcherson of the carpenters and Charles McGowan of the boilermakers—both union leaders with a strong Republican background. Hutcherson backed his new pledge of support to L.L.P.E. with a check from his union for \$100,000.

A.F.L.'s immediate political program is aimed at the 1950 congressional elections. Through L.L.P.E., it plans:

• **"Concentrated" help** for eight senators who are up for reelection: Wayne Morse, of Oregon; George D. Aiken, Vermont; Charles W. Tobey, New Hampshire; Francis J. Myers, Pennsylvania; Brien McMahon, Connecticut; Elbert D. Thomas, Utah; Lister Hill, Alabama; and Claude Pepper, Florida. Morse, Aiken, and Tobey are Republicans.

• **All-out opposition** to reelection of these eight senators: Robert A. Taft, Ohio; Forrest C. Donnell, Missouri; Eugene D. Milliken, Colorado; Homer E. Capehart, Indiana; Bourke B. Hickel, Iowa; Alexander Wiley, Wisconsin; Milton R. Young, North Dakota; and Chan Gurney, South Dakota. All are Republicans.

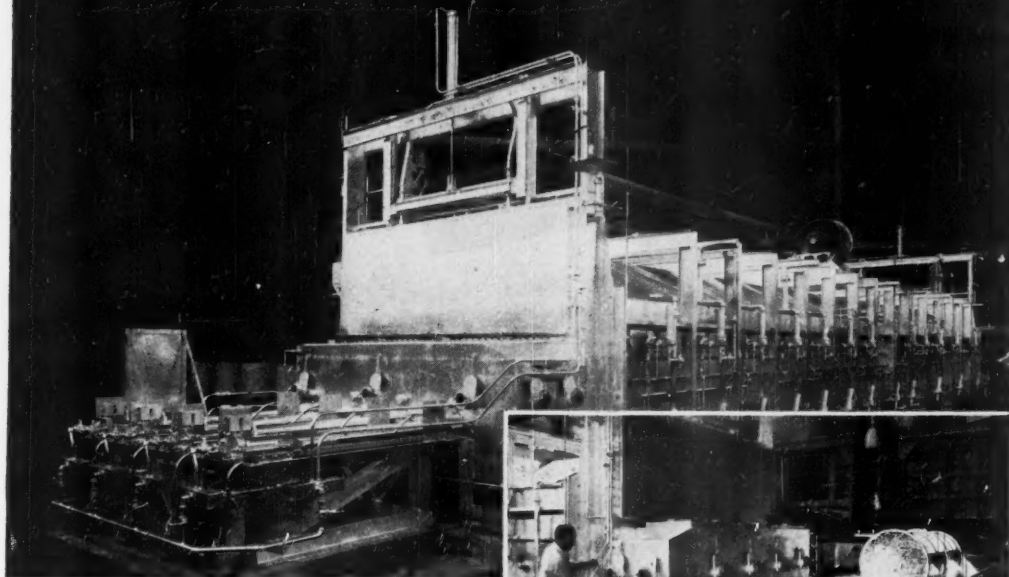
• **Informal Cooperation**—The drive for more political action by labor keynoted the A.F.L. convention, which closed last week in St. Paul. But A.F.L. made no moves that would commit it to formal cooperation with C.I.O.

L.L.P.E. and C.I.O.'s Political Action Committee have been working together closely since the last election (BW—Sep. 17 '49, p. 6). But suggestions that this cooperation be carried forward into structural and financial unity got nowhere in St. Paul. So you will see continued parallel action, and even grass-roots collaboration. But there will be no absolutely solid front.

• **Cost**—As part of its political-education drive, A.F.L. will spend \$750,000 in the next year for radio programs—chiefly for a daily news commentary.

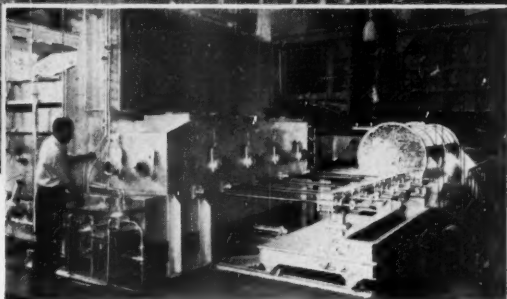
L.L.P.E.'s work in the next year

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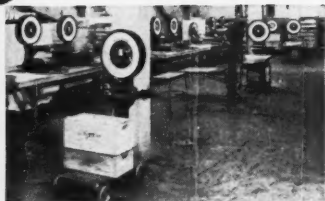


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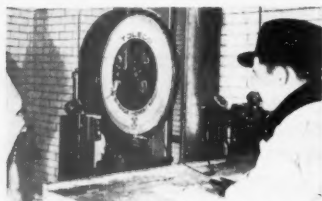
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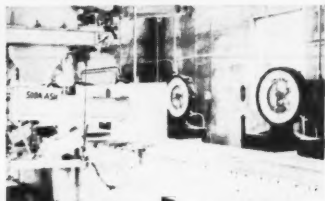
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will be financed from a special \$2-per-capita assessment on all A.F.L. members. That will mean a big chunk of cash if A.F.L.'s 74-million members all ante up. But Joseph Keenan, director of the A.F.L. political arm, doesn't think he'll even come close to the goal; he's budgeting only \$1.5-million to \$2-million.

• **General Agreement**—A.F.L.'s 600 convention delegates acted almost unanimously in approving policies and plans of federation leaders. They O.K.'d proposals for a fight for a shorter work week (BW—Oct. 8'49, p96). They approved A.F.L. leaders' stand on pensions and insurance—that they should either be paid for by the government (BW—Oct. 15'49, p114) or be jointly financed by employers and employees. They called for a continued wage fight—without government intervention or fact-finding.

As usual, the convention was a sounding board for a procession of national and union orators. There was an absolute minimum of debate, and no controversy. Most of the real work was done in committee rooms. The convention atmosphere thus was in marked contrast to the explosions that are expected at the coming C.I.O. convention (BW—Oct. 15'49, p106).

## LABOR BRIEFS

**Birthdays** are holidays for Galat Packing Co. employees under a contract much like that of the Keystone Brass & Rubber Co. (BW—Apr. 2'49, p94). The Galat C.I.O. union had asked for an eighth paid holiday a year, agreed on a paid day off on birthdays as an alternative.

**Lack of progress** in C.I.O.'s "Operation Dixie" is behind suspension of union organizing drives in four states—Arkansas, Florida, Louisiana, and Mississippi. C.I.O. will concentrate in the future on heavily industrialized areas.

**C.I.O.'s rail union** (a branch of the catch-all Shipyard Workers) is up against a critical test of strength this week. A.F.L. shipcraft union is challenging C.I.O. in the latter's stronghold—among 48,000 shop employees of the Pennsylvania R.R. It's National Mediation Board's biggest poll so far.

**The Pictures**—Acme—94; Harris & Ewing—19; Int. News—48, 62; © Karsh—115; Wide World—31, 82, 97, 112; Dick Wolters—20 (left), 22, 23; Ida Wyman—100.

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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

OCTOBER 22, 1949



Will the State Dept. take another look at current policy for dismantling plants in West Germany?

Secretary Acheson seems about ready to do just that. He has agreed to listen to the 44 senators who are asking for a review.

It's not congressional nudging alone that's forcing Acheson to reconsider the U. S.-British-French agreement of last April.

There is the pressure in West Germany itself. That counts for more today, now that Stalin is making a bid for an all-German tieup with Russia.

Stalin's courtship has even softened the French attitude toward West Germany. You can't be sure, though, that the French will change their minds on dismantling.

•  
The Germans, of course, want to hang on to every plant they can.

And where they are getting support in Congress is in cases like this:

The I. G. Farben works at Ludwigshaven is on the list. Marked for dismantling are (1) the synthetic rubber plant, and (2) the Reppe acetylene-derivative plant. The latter uses high-pressure processes to produce dyestuffs, pharmaceuticals, plastics.

Apparently the German operators are ready to accept destruction of the rubber plant. What they object to is loss of the acetylene works.

This is not only a money-maker for whoever operates it. (The new ownership of I G properties is still undecided.) But it is also a dollar-saver for Germany—to the tune of an estimated \$34-million a year.

•  
ECA officials in Paris are still betting on a French-Italian-Benelux monetary union by Christmas.

These officials admit that France's political crisis has slowed things down some. But they figure the plan will go through whatever government takes over in Paris.

What is more, Switzerland and West Germany are expected to join up. (British participation looks unlikely.)

•  
As ECA sees it, this monetary union would get Europe on the right economic track. Here's what it would involve:

Currencies would be freely convertible, one into the other.

Exchange rates would be allowed to find their own level.

Import quotas would be greatly reduced.

There's one catch, though. The shock from scrapping quotas would be cushioned by tariff manipulation. Thus, France would use its tariffs to check the flow of U. S. goods via Belgium.

•  
British exporters report big gains since devaluation.

Orders have mounted in autos, trucks, bicycles, hand tools, containers, china, cotton and woolen cloth.

Dollar orders are up some, though more from Canada than the U. S. But so far the real expansion has come in the sterling area and Europe—which doesn't help solve the British dollar problem.

•  
British business leaders aren't sure that even the boom in non-dollar trade will hold up long.

Now that Prime Minister Attlee has put off the election till next year, they think costs are sure to go up. What they hoped for was deflation soon—

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**  
**OCTOBER 22, 1949**

via drastic cuts in government expenditures. That can hardly come before spring, since the earliest possible date for the election now seems to be March.

Tito isn't fooling with his bid for a seat on the United Nations Security Council.

In order to make the grade, the Yugoslav dictator is about set to release Archbishop Stepinac. That's the price he has to pay to get Latin American votes.

The U. S. State Dept. has been urging release of the Catholic Archbishop, too. Acheson figures a lot is at stake in Tito's Security Council bid.

Giving Yugoslavia a seat there should (1) strengthen Tito within his country; (2) make a Soviet-sponsored invasion less likely.

Yugoslavia is due to get another dollar loan, probably \$20-million.

The money will come from the World Bank. (Last month the U. S. Export-Import Bank lent Belgrade \$20-million; and this week the World Bank made Yugoslavia a \$2.7-million loan for exploiting timber.)

Acheson is pressing World Bank president Eugene Black to come across soon.

The Export-Import Bank says its \$25-million loan to Chile indicates no policy change.

But the money is to help Chile out of its exchange difficulties, which sets a precedent.

The Ex-Im Bank recently refused loans of this type to Brazil, Argentina, and South Africa. In each case the Bank ruled that loans must be tied to specific projects, not exchange troubles.

What the Chilean loan probably means is this: When U. S. foreign policy and earlier Ex-Im Bank investments are endangered, the bank will step in to bail a country out. (In Chile's case, the drop in copper prices caused the trouble.)

Watch for Russian military influence to grow in China.

Agreement was reached on this during the recent Mukden talks (BW-Oct. 15'49, p119).

China's air force schools will be staffed with Soviet experts.

Chinese commanding officers must learn the Russian language. (Chu Teh, Chinese commander-in-chief, has already given this order.)

The organization and equipment of all forces will follow the Russian pattern.

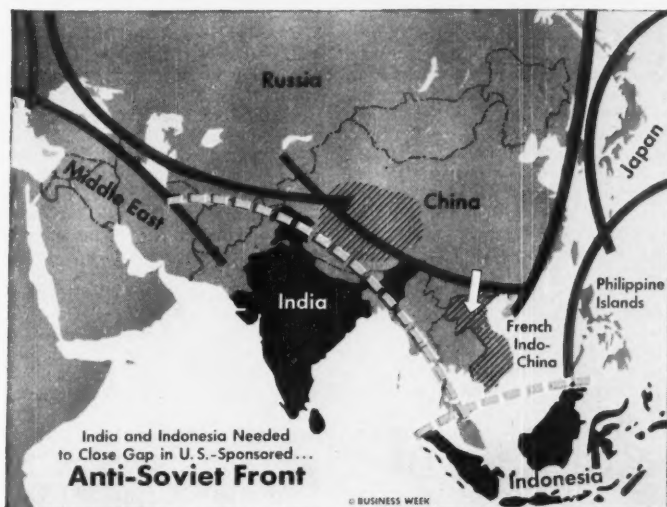
The new Chinese regime will adopt another Russian custom—slave labor.

You could guess this would be in the cards. There is no other way a Communist government can quickly consolidate its position in an economically backward country.

Reports from China tell this story: The decline of Shanghai's trade has put tens of thousands of people out of work in that port city. They are being enrolled in labor armies far in the interior. Apparently the plan is to use them on irrigation projects in Central China. The new acreage would then be used for cotton and rice.

Directing this labor mobilization is Moscow-trained Liu Shao-chi. He's one of Peiping's six vice-presidents, and a member of China's Politburo.

# BUSINESS ABROAD



## Rimland vs. the Heartland

U. S. needs Nehru's help to weld India into the maritime ring around U.S.S.R.-China heartland. But partnership won't come easy. India wants U.S. economic aid—but it wants to stay neutral.

Prime Minister Nehru of India reached Washington last week just as the Chinese Communists prepared to take over Canton. It was no mere coincidence. It was the inevitability of a complete Nationalist rout in China—and the consequent need to strengthen U.S. ties with India—that led the State Dept. to arrange for Nehru's American visit some time back.

Not that the State Dept. expects, in three weeks, to make—or get—firm commitments on India's new role in the Far East. But at least Washington and New Delhi can each find out where the other stands.

• **Washington's Worry**—What worries Washington is the yawning gap in our defenses against communism in Asia—the yellow line on the map, above. Communism has already infected Indo-China, and may take over before long. Without the backing of India and Indonesia, it is possible that the West's position could become untenable all the way from the Middle East to the Philippines.

There's already some feeling in New Delhi that India can keep its independence only if a balance of power is maintained with the Soviet Union. Holders of this view say that Eurasia's "rimland" countries—from Britain all the way to

Indonesia—must work together against the "heartland" countries around the U.S.S.R. As they see it, India's job is to hold down the key position in the Indian Ocean.

Nehru himself still wants to keep India neutral in the cold war. The State Dept. would like him to drop his neutrality, line up openly with the West. Nehru's position alone might determine Indonesia's course as well as India's, so strong is his influence with Indonesia's Republican leaders.

• **Nehru's Worry**—What worries Nehru—and Washington, too, for that matter—is the dangerous gap, especially in living conditions, between the promise and the reality of Indian independence. Unless he gets U.S. financial and technical help, Nehru knows that communism could become a definite threat within India.

So Nehru is after something from the U.S. Although he is too proud to ask for outright economic aid, he would like to see the U.S. offer assistance to India and the rest of southeast Asia, just as then Secretary of State Marshall offered aid to western Europe in June, 1947.

• **Complications**—The makings of a U.S.-India partnership seem to exist in these two positions. But the problem

is not so simple as that. Even if Washington wanted to, it couldn't buy India's adherence to the anti-Soviet front merely by offering economic aid. For one thing, in India and southeast Asia there's a century and more of suspicion of the West to overcome. Ties with the West, especially military ties, still smack of imperialism in that area.

Nehru himself offers a special problem—his pacificism. This still remains strong, even though he was willing to use force to help weld India together during the past two years. Then Nehru has felt the influence of Lenin's writings, especially on imperialism. Perhaps this influence accounts for Nehru's reluctance so far to believe that there's very much to choose between the contestants in the East-West struggle. And it may account, too, for the fears among some State Dept. officials that Nehru may try to appease Stalin.

• **Asian Union**—So Nehru, for the moment at least, doesn't take to the idea of lining up with the U.S. in the cold war. Nor does he think the time is ripe for a "Pacific Pact." What he has in mind for 1950 or later is not a military pact in southeast Asia but simply a political and cultural union of the nations of that area.

Although this union would be intended to hold communism in check, it would not be directed against Communist China. The fact is, Nehru plans to recognize Communist China in the near future, no matter what the U.S. does. Apparently the Indian Prime Minister is not convinced that the new Chinese regime will take its orders from Moscow.

• **Bait for Support**—It was in the hope of overcoming Nehru's "neutrality" that the State Dept. wanted him to visit the U.S. The same hope is one reason why Secretary Acheson will back the bid India may soon make for Canada's seat on the U.N. Security Council. (In promising Nehru support for this move, Acheson suggested that it would be wise for India to accept U.N. arbitration of its dispute with Pakistan over Kashmir.)

• **Lesson From Moscow**—Acheson figures that once India is on the Security Council, it will (1) get a sample of Russian methods; and (2) line up publicly against Moscow.

Acheson probably counts on this experience also to remove any temptation India might have to take the bait Moscow is likely to offer after the New Delhi government's recognition of the Chinese Communists.

• **Economic Problem**—But Washington realizes that the big job to be done in India is economic rather than political. The ordinary Indian today is short of food and clothing. Industrial production has declined since World War II. Agricultural output has not kept pace

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with the growth of population (5-million a year). Prices have tripled since 1939.

The food problem, of course, is the most pressing. At present India must import at least 4-million tons of grain a year, some of it from hard-currency countries. This puts a heavy strain on its slender reserves of foreign exchange.

Nehru's hope is to increase India's own food production 10% by 1952; this would make the country nearly independent of foreign supplies. He has suggested a scheme whereby thousands of villages would start growing new crops like sweet potatoes.

● **U.S. Help**—But Nehru is counting, too, on aid from the U.S. to expand India's grain acreage. India needs two things for this: (1) help in building more irrigation dams; and (2) money for fertilizers and agricultural equipment. Apparently the State Dept. is ready to back a third World Bank loan for India. This loan could be used to establish a small TVA-like project on the banks of the Damodar River.

● **Storage Deal**—For the short run, there's still the problem of getting enough wheat for the next year or two. One idea broached by the Indian Embassy in Washington three months ago was this: Since the U.S. is desperately short of storage facilities for grain, it would arrange to store up to 1-million tons of grain in India—with the understanding that the Indian government might buy it.

The State Dept. turned down this proposal because: (1) There was no evidence that India had enough safe storage facilities; and (2) it would add greatly to the cost if the grain were eventually sold to some other country.

But it's not impossible that this scheme will be pulled off the shelf—though, if it is, the U.S. will probably have to supply the dollars to pay for the wheat.

● **East or West?**—In broad terms, what's at stake in India is the whole economic program of the Nehru government. The choice is the development of India's resources by the western method of gradual capitalization or by the high-speed Russian method of using slave labor and starving the consumer. The Russian method seems in store for China; however, it's not inevitable for India.

● **Investment Invited**—Nehru knows very well what is at stake. That is why he has modified the original Congress Party position on foreign investments in India. He has recently promised foreign investors full equality of status with Indian investors, convertibility of current profits, and at a later date convertibility for the original capital invested.

The provision that no enterprise would be under majority control of

foreign owners is still in force. But the chances are this provision will be modified in individual cases. Moreover, Nehru seems ready to offer assurances that he will go slow on nationalization of basic industry.

● **Opposition**—In shifting ground in this field, the Indian Prime Minister has bucked strong opposition within the Congress Party and alienated potential allies among the Indian Socialists. What's more, he may run into opposition from the Federation of Indian Chambers of Commerce & Industry. Many members of this organization are worried by the prospect of meeting foreign competition on their home ground. The Tata group, on the other hand, is ready to see U.S. companies invest heavily—even in steel.

● **Not Enough**—How much private U.S. capital will flow to India with these added inducements? Probably not enough to make a big difference in the short run. That's why the State Dept. has about decided that the Point 4 approach doesn't apply in India today. The needs are too great to be met by a program that relies entirely on (1) technical assistance in health, agriculture, and the like, and (2) private investment.

Whether this means that a south-east Asia recovery program is the only answer remains a moot question in Washington. But it is one the Truman Administration will have to ponder seriously before the new year.

● **Election Strain**—What no one is forgetting is that Nehru faces an election in 1950, the first in India based on universal suffrage. In this fight he will meet serious opposition for the first time from the Communists on the left and the extreme Nationalists on the right. To Washington, it would be nothing less than a disaster if Nehru's position were seriously weakened in the election.

## K-F. INDIAN PLANT SOLD

Kaiser-Frazer's Indian assembly operation is just about over. Backers of K-F's licensee, Motor House (Gujarat), Ltd., have sold their still unfinished assembly plant to the British Rootes group.

Shortage of funds and a new import ban on U.S. passenger cars and parts forced the sellout. Although Motor House had been authorized to raise about \$2.1-million, paid-in capital never reached more than \$525,000. The lack of needed equipment kept assembly operations under 1,000 units in the last two years.

Automobile Products of India, Ltd., the Rootes subsidiary, has agreed to pay \$735,000 for the K-F. plant. It will take over as soon as K-F. parts on hand are assembled and sold—about three months from now.

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**QUESTION:** *Be honest. Was that fault as great as your own in not providing sure protection while there was time?*

**YOU:** But the building was "fire-proof". It was constructed of steel, brick and concrete.

**QUESTION:** *But you knew that its contents were not fireproof. While you were trusting to fate, you were putting lives as well as property in jeopardy...needlessly. Isn't it strange that so*

*many people never realize the true cost of fire until the time is too late?*

### FIVE FACTS YOU SHOULD KNOW BEFORE IT IS TOO LATE!

Aside from the all-importance of protecting human life, consider these facts: (1) two out of five burned-out businesses never come back, (2) burned-out records are lost forever, (3) insurance seldom suffices to replace property at today's high prices, (4) an indemnity check never buys back a lost customer, (5) after a major fire, skilled employees wander away, relocate, and seldom return.

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## U.N.: After 4 Years, Incomplete

The United Nations hasn't tackled the world's big issues. Neither U. S. nor U. S. S. R. would let it. But it has eased many minor tensions, started promising economic projects.

The United Nations, symbol of the gulf between man's promise and man's practice, will be four years old next Monday. For its first four discouraging years, it has pretty much acted its age. Now U.N. is finally beginning to make a dent in world affairs—despite Russian obstructionism and lack of U. S. leadership.

• **Failures**—On two big scores, U.N. has failed:

• It has not become a world security organization—its charter won't let it.

• It hasn't stopped the cold war.

• **Successes**—On the other side of the books, U.N. can make some substantial claims:

• Psychologically, it has been a useful sounding board, an outlet for excess steam that might have erupted more dangerously elsewhere.

• In political fields, it can bandage up sore spots around the world—so long as they don't come too close to the cold-war area. And by giving collective

weight to the voices of the small nations, it keeps the old-fashioned game of power politics within bounds.

• In economic fields, its agencies are making some real contributions to world recovery.

### I. The Political Moves

This week in U.N.'s Fourth General Assembly all the drives that make U.N. a potential force were in action.

• **Atomic Energy**—The smaller nations were pulling their weight on a big question—atomic-energy control. So strong is their feeling on the matter that a resolution outlawing the use of the atom bomb seems in the cards.

The U.S. opposes any plans for atomic-energy control that have only "moral" enforcement provisions. But most other countries feel that a paper agreement is better than nothing. A U.N. resolution probably wouldn't ban manufacture of atom bombs, and it

would leave nations under attack the right to use the bomb. But even so, a resolution would keep the U.S. and Russia talking.

• **China**—In politics, there's a chance that U.N. may pave the way for a general recognition of Communist China—a step that would take the U.S. State Dept. off an embarrassing limb.

If not in this assembly, certainly in the near future, the Russians will challenge the credentials of the Chinese Nationalist delegates in U.N. The U.S. will be in no position to oppose this. In fact, the Russians will doubtless quote liberally from the U.S. White Paper on China to support their case.

• **Lineup**—It will probably take a two-thirds vote of the assembly to oust the Chinese Nationalists. (There's some doubt about that because the charter didn't provide for such a problem.) But Britain and the Commonwealth will probably go along with the Russians; India is known to be in favor of the step; and now that the U.S. is ready to recognize Franco Spain (BW—Oct. 15 '49, p119), the Latin Americans might go along, too.

The U.S. would have to abstain on an ouster vote because Congress (and American public opinion) isn't ready to recognize Communist China. But if U.N. goes ahead anyway, Congress will find it hard not to follow suit.

• **Other Fields**—These are but two of the bigger fields where U.N. is making itself felt. Small-power pressure has also forced significant changes in U.S. policy on the former Italian colonies in Africa. U.N.'s role as a center of world opinion certainly restrained the Dutch from going whole hog in Indonesia. And so far the moral force of U.N. has kept India and Pakistan from going at each other's throats over Kashmir.

### II. The Economic Effort

Political action is U.N.'s most important function now. But progress of a different sort has been made in the economic field. The economic achievements may well count for more in the long run.

From the League of Nations, U.N. inherited what may be the world's best library of statistical information. Some of the same experts who worked with the League are still on the job with U.N. As a result of their work, U.N. has the only authoritative studies on such subjects as tax policies throughout the world, government budget policies, and countless other fiscal analyses.

• **Special Agencies**—U.N.'s numerous specialized agencies have pushed through some important—if not world-shaking—economic projects. The best known agencies—the World Bank, the International Monetary Fund, the

World Health Organization, and the Food & Agriculture Organization—have built reputations in their own right. U.N.'s International Labor Organization has made a good start on setting up labor-training programs throughout the world. Its International Civil Aviation Organization has made headway in standardizing aviation requirements.

Perhaps the most successful economic unit within U.N. itself has been the Economic Commission for Europe. Under its go-getting Swedish director, Gunnar Myrdal, E.C.E. operates as an information center for all Europe. It deserves most of the credit for what little economic coordination there is across the Iron Curtain. As one delegate put it, "90% of E.C.E.'s decisions are based on reason, 10% on politics. That makes E.C.E. unique in U.N."

### III. The U. S. Role

But it is in the political field that U.N. makes the biggest noise. And its record there about defines the limit of the organization's capabilities. U.N. won't be strengthened—either through charter changes or through increased moral effectiveness—unless the U.S. comes up with far stronger leadership than it has shown to date.

Appointment of Vermont's Warren Austin as U.S. ambassador to U.N. was hailed as a great step in forwarding the new "bipartisan" U.S. policy. But when the cold war broke out in earnest, Ambassador Austin found himself in command of a forgotten front. Washington's interest in U.N. became marginal.

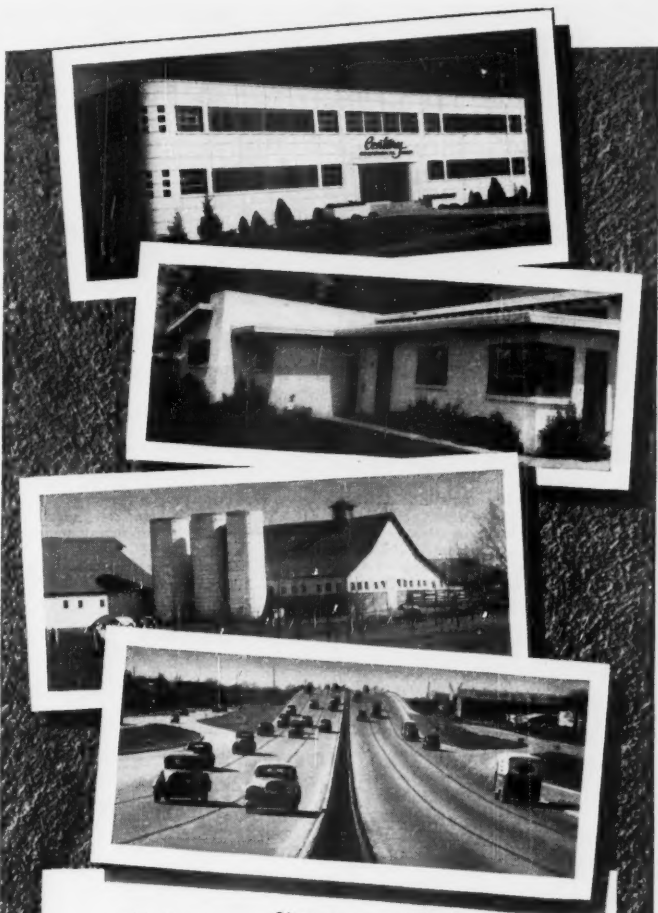
• **White House vs. U.N.**—Thus, when President Truman announced the Truman Doctrine in 1947, he so obviously ignored U.N. that Sen. Vandenberg had to offer a Senate resolution to atone for the damage.

Then again, the acrobatics in the White House over the Palestine question embarrassed the U.S. delegation at U.N. to the point where many key delegates were ready to resign. U.S. delegates learned policy decisions when the public learned them, and no sooner.

Only two weeks ago another presidential statement went down with a dull thud at Lake Success. At his weekly press conference, the President said in effect that the U.S. wouldn't accept any plan for atomic energy control that the Russians might propose. At the same time, the U.S. delegation at Lake Success was promising any Russian plan "due consideration."

The occasional charges by congressional vigilantes that the U.N. secretariat is a beehive of Communist activity don't help U.S. prestige either.

• **U.S. Achievement**—The U.S. story at U.N. isn't completely one of inep-



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itude. On the other side is the remarkable U.S. offer to surrender our atomic energy plants to U.N. control—even though it's an open question whether Congress would have gone along if the Russians had agreed.

And in general, the large and competent U.S. delegation has kept strictly to the rules. It has practiced none of the Russian tactics of confusion. But the delegation can't supply the leadership that most U.N. members look to it for. That leadership has not been delegated by Washington.

### IV. What the U. S. Gains

It's beyond the scope of U.N., of course, to achieve the objectives of U.S. foreign policy—or any other individual nation's, for that matter. Since the war, our immediate strategic objective has been the containment of Russia. And U.N. couldn't be party to such a policy.

• **Propaganda Value**—Even so, U.N. has done the U.S. proud. The U.S. has commanded bigger and bigger majorities in U.N. to justify its crusade against communism. U.S. delegates have stolen the propaganda show from Russia by U.N. votes, if not by words.

Basically U.N. is a U.S. structure. The U.S. founded U.N. Behind its achievements stand the competency of U.S. technicians, the prestige of such world figures as Eleanor Roosevelt. Perhaps most important of all, U.N.'s headquarters are on U.S. soil.

For that, each American will ante up about 10¢ in taxes next year—the U.S. share of U.N.'s budget.

• **For Higher Costs**—It seems to boil down to this: The U.S. gets what it pays for. Other nations have put far less into U.N. Latin American nations tend to send spoils-system appointees to Lake Success. So many Latin American delegates were absent from roll-call votes at the last General Assembly that one big-power delegation assigned a man full time to see that they showed up.

Some small nations are hopelessly understaffed for the demands of U.N.'s sprawling administrative machinery. Time and again, the U.S. delegation has had to supply the staff work—even to the point of helping write policy speeches.

• **Exception**—An outstanding exception is Russia. Moscow has sent what many delegates believe is the most competent delegation of all to U.N. They are men of purpose and of authority. Whatever Stalin wants to get out of U.N., there's no doubt he has sent top-caliber lieutenants to represent him.

And that fact, coupled with the flabby show of U.S. muscle, goes far to explain why U.N. is still more promise than achievement.

## BUSINESS ABROAD BRIEFS

British jet fighters will be used by the Italian Air Force. Rome plans to buy 50 de Havilland Vampires; then it will produce the fighter under a de Havilland license. Fiat and Alfa Romeo will build the jet engines.

The Czech government will pay the British for British properties nationalized in Czechoslovakia since 1945. In the British-Czech trade agreement of Sept. 28, the Czechs bound themselves to pay \$22.4-million in the next decade.

Burlington Mills Corp. is selling its textile operations in Cuba to local textile interests.

If Australia had more dollars, Morrison-Knudson Co., Inc., would probably get the contract for the \$22.4-million Eildon (earth dam) in the state of Victoria. The American engineering firm has offered to build the dam in 54 years, half the time called for in the original government plan.

Airline service from New York to Hamburg, Germany, was begun last week by Scandinavian Airlines System, Inc. It's the first direct commercial air link between U.S. and Hamburg. Flights are scheduled to take 15 hr., 40 min.



## Heads Government Rail

Scottish-born Donald Gordon, 48, is the new chairman and president of the government-owned Canadian National Railways. He will take over on Jan. 1, 1950. Gordon, a former Toronto newsboy and deputy governor of the Bank of Canada, succeeds R. C. Vaughan, who will retire after 51 years of Canadian railroad service.

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## New Poison in an Old Medicine

John L. Lewis has done it again. The head of the United Mine Workers has advanced as part of his strike strategy one of the most destructive proposals ever aimed against business. He says his striking soft-coal miners will go back to work if the federal government seizes the mines and operates them "for the account of the people and not of the coal operators."

The evil inherent in the Lewis proposal evidently did not make much impression in Washington. President Truman said he had no plans to seize the coal mines. But, he added, he would look into his authority under the law to do so.

That sounds to us like a temporizing statement. For the Justice Department has already told him that the Constitution gives him implied powers to meet any industrial emergency. And it has been frequently reported from Washington that the President might use authority contained in the Selective Service Act to seize and operate plants, although its specific application in peacetime is not too clear.

### How It Has Worked

At first glance, the Lewis proposal may seem to be only a slight variation of an old and not too violent idea, because private property has been seized before—and without fatal consequences.

When, during the war, the first plants were seized by the government to stop strikes imperiling production, businessmen shuddered. It seemed that it was pretty bitter medicine to take. And it was.

But the experience was not nearly so brutal as some people in the business world had imagined. There were some pleasant surprises.

(1) The employees came back to work promptly: President Roosevelt had made it pretty plain that they could not strike against the government; and they became government employees, of course, as soon as seizure took place.

(2) Management was not shunted aside and replaced with government personnel: Usually, one government official was assigned to a company and he merely validated the orders of the existing company officers.

(3) The owners' proprietary interest was not disturbed: When properties were returned to the private owners, all assets—including profits earned during the seizure periods—were handed over.

Although the seizure experiences were milder than expected, they were never relished by management. Then, in 1946, management's fears were confirmed when the government used seizure in a coal strike to give the employees the pension their union had demanded. It was then put up to the owners to take back their properties with these new wage changes or run the risk of another strike right away. Obviously, the strike-cure medi-

cine was getting stronger and much harder to swallow.

### Shifting the Balance

The potion would be strengthened even more if the formula Lewis is now asking for were ever adopted. This is why: Employees on strike when no seizure occurs leave their jobs in an effort to enforce their wage demands. They try to create such an economic pinch on the management that rather than lose more production and more business the company will meet the union's terms. However, the strikers also feel the pinch, too, because they get no pay during the strike.

Heretofore, when government seizure of the familiar type took place, the employees resume getting their pay and the managers got production again, from which a profit could be earned. The economic pinch was lifted on both sides—or at least such was the experience under past economic conditions.

But the Lewis proposal is designed to make the effects of seizure one-sided. The employees would get paid by the government out of funds held and earned by the seized company. But the owners of the company would get nothing.

The longer seizure continued, the greater would be the economic pinch on management. And, the longer the seizure, the better-situated would the employees become. They could continue to work at the old rates of pay until such time as they could persuade Uncle Sam to put into effect the new rates.

What if the new rates were so high that one or more companies couldn't pay them out of earnings? So long as they stayed in the hands of the government, it presumably wouldn't matter. The difference could be made up out of seized profits of other companies, or out of the general fund, for that matter. But, in that case, would the government ever give up control? It is certainly doubtful. And further, a private owner might well be unable to take back a property that had been made unprofitable while it was out of his hands.

### Entry to Nationalization

Thus, the government would become actively competitive in an industry that always before had been exclusively competitive among private owners. And, thus, the beginnings of nationalization of an industry would occur.

For those reasons, the efforts of Lewis to put new poison in an old strike-cure should be stifled. This can best be accomplished by spelling out in basic law exactly how plant seizure must be handled. Congress, therefore, should put on its 1950 calendar a review of the executive power to seize plants. It should then amend the law to make sure that plant seizure does not become an easy route to nationalization of industry.



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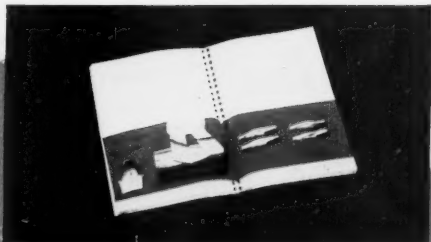


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